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STATISTICAL BULLETIN

17179000CC01 0000 000
Statistical Reference Index
Acquisitions
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Highlights

- GROWTH IN CONSUMER DEMAND IS MORE FOCUSED
- AND THE HOUSING MARKET REMAINS IN A DEEP SLUMP
- INVENTORY REBUILDING IS STILL UNDERWAY
- BUT INDUSTRIAL CONDITIONS HAVE WEAKENED
- AND THE LABOR MARKET IS LOSING MOMENTUM
- INFLATION JITTERS HIT THE FINANCIAL MARKETS SENDING INTEREST RATES HIGHER
- OUTLOOK • 3% ECONOMIC GROWTH THROUGH FIRST QUARTER OF 1988 THEN SLUGGISH GROWTH THROUGH REST OF NEXT YEAR

Volume 20, No. 10, October, 1987

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The U.S. economy has entered its 6th, but not necessarily its final, year of expansion. The pace of activity is expected to slow next year, diminishing the prospect of an overheated economy and a related rise in inflation. The consensus of the **Economic Forecasts** is that real GNP growth may weaken from 3% (annualized) in the first quarter of 1988 to 2% in the second half of the year. Recent interest rate hikes may put a damper on the rise in consumer demand and shorten a recovery, now underway, in business investment (in particular, in equipment and machinery.)

The good news is that economic growth is expected to continue—albeit at a slower pace, and fears about an overheated economy are abating. Business executives remain relatively positive about the economic outlook, and consumer attitudes are even more optimistic.

DOMESTIC MARKET MONITOR

This year's gains in the labor market remain open to question. Although the unemployment rate dropped from 6.7% in February to 5.9% in September, the employment/population ratio for adults remained at 63% through this period. The difference is partially explained by the 0.3% decline in the labor-force participation of adult white males from June through September.

Several indicators point to some deterioration in labor market conditions over the near term. Jobs in service industries were only 0.3% higher in September than 3 months earlier. Moreover, total hours worked were 0.8% lower in September than 3 months earlier, in part the result of a sharp decline in the manufacturing workweek.

Moreover, labor demand is no longer rising. The Conference Board's **Help-wanted Index**, a measure of labor demand, rose to 155 (1967=100) in June, from 142 in January but then stagnated through August. Early returns to the September survey show that the volume of help-wanted advertising is still not rising.

INCOME: The rise in hourly pay has quickened. The average rate in private industry was 7 cents higher in September than 2 months earlier, in contrast to a rise of a penny or two per month over the first half of the year.

The gain in hourly rates offsets slower growth in the number of workers and of hours worked. Wages in commodity-producing industry were 1% higher in August than 3 months earlier. Wages in other industry were 1.8% higher.

After months of little change, the pace of consumer borrowing picked up in July and August, and was not solely related to strong car sales in August. The net change in revolving credit was much higher in the summer months than it had been earlier—attesting to continued growth potential in consumer demand.

Recent job and pay gains have bolstered consumer attitudes. The Conference Board's **Consumer Confidence Index** was higher in September than at anytime in the last 15 years. Nor do these highly optimistic attitudes only pertain to current economic conditions. The data suggest that consumers expect job and pay increases to continue over the next 6 months.

SPENDING: With two notable exceptions, consumer buying has maintained a robust pace. Retail sales of nondurables were 1.4% higher in August than 3 months earlier. Except for furniture and appliances (and cars), sales of consumer durables were 2.5% higher over the same period.

Following a discount-induced surge in August, new domestic **Automobile Sales** in September fell back to July's level. Jobs in car production rose in September, however, reflecting an optimistic outlook for new model sales.

CONSTRUCTION: The weakest segment of consumer demand is still home buying. Sales of new, single-unit homes were 6% higher in August than 3 months earlier. But they remain 10% lower than at the beginning of the year. With the average price of a new home rising and mortgage rates going higher, the prospects for a recovery in home buying are not bright. Building permits for multi-unit construction continue to decline. Total hours worked in construction were still falling in September.

While prospects for a turnaround in home building appear slim, the developing recovery in business investment may impart some strength to nonresidential construction. Office, store and factory building was 2% lower in August than 3 months earlier.

PRODUCTION: Rising industrial output is likely to be short-lived. Total output was 1.8% higher in August than 3 months earlier, but employment gains in September were negligible and total hours worked declined. Production of defense- and space-related goods is no longer rising. Output of finished consumer goods has also slowed, no doubt in response to poor furniture and appliance sales.

The slow pace of industrial expansion is evident in the capacity-use data. Whereas the overall rate was a full point higher in July than 3 months earlier, it remained unchanged in August. That implies that the pressure on capacity utilization has diminished, which, in turn, will cut into the momentum of business investment.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

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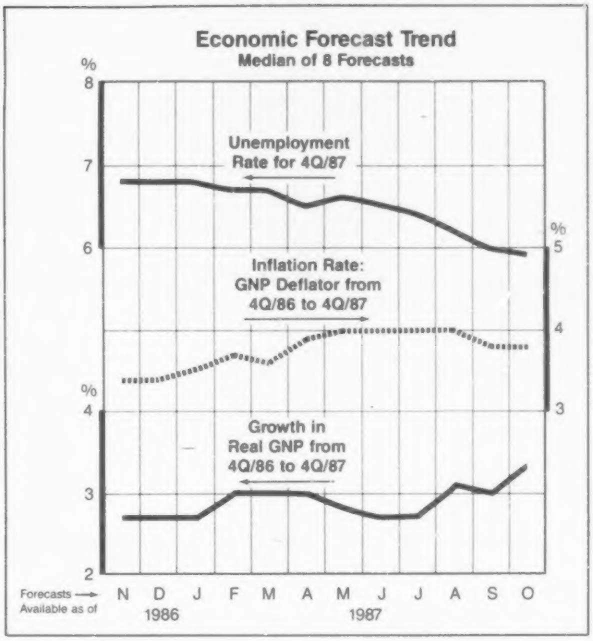


Industrial expansion may be weakening because the flow of new orders appears to have slowed. Total new orders were 0.7% lower in August than 3 months earlier. Moreover, shipment of filled orders was 1.4% higher. With order books getting lighter, production is being scaled back.

The weakness in new orders is relatively concentrated. Orders for defense materiel were 1.2% higher than 3 months earlier. Nondefense capital goods orders were 2.1% lower—an indication that the rise in business spending on equipment may be limited.

INVENTORY: Suppliers are rebuilding inventory, but at the same pace as the rise in industrial sales. The overall Inventory-to-Sales ratio was no higher in July than 3 months earlier. One exception to that general trend is the 1.6% rise in durable inventory at the wholesale level while sales were 3% higher. That offset the 3.4% rise in durable stocks (omitting cars) at the retail level, while sales were only 0.8% higher.

INFLATION: After a pause in August, the recovery in commodity prices resumed in September with a 1% gain in the overall index. Raw industrial prices rose 1.3% in both August and September. Conversely, farm prices were generally flat to declining this Summer, partly as a result of a 42% drop in potato prices between June and September.

Wholesale prices show no acceleration. Raw food and energy prices fell this Summer. Prices for other raw material were 1.7% higher in August.

The rise in the CPI shows no change in trend. In August the CPI for commodities, except food and energy, rose at an annual rate of 3.8 percent. The consensus of the Economic Forecasts is for a 5% rise in the fourth quarter of 1987, and about the same for the fourth quarter of 1988.

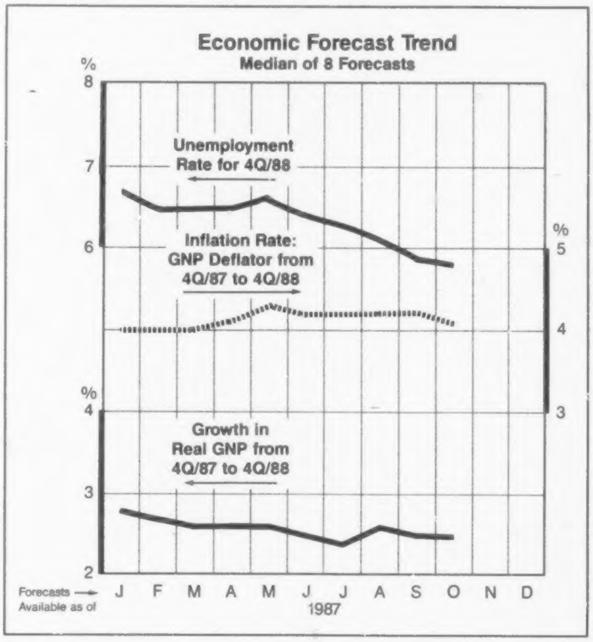
INTERNATIONAL MONITOR

Relatively strong domestic growth and unchecked demand for imported products has helped renew the surge in imports, despite the rising price of such products, by dollar depreciation. Total imports were 12% higher in July than 3 months earlier. The domestic economy remained strong in August, which implies that import growth for that month was probably unchanged.

Imports of manufactured goods were 8.4% higher in July than 3 months earlier. While that reflects a disproportionate rise in aircraft and parts, imports of other manufactured goods were still 7.3% higher.

While domestic expansion is feeding the rise in imports (despite the effect of a declining dollar) a lack of growth among some major U.S. trading partners is limiting export growth. Total exports were a mere 2.4% higher in July than 3 months earlier. But exports of manufactured goods were actually 2.3% lower. And that dismal export performance was achieved via a 10% rise in shipments of aircraft and parts.

Ken Goldstein
October 13, 1987

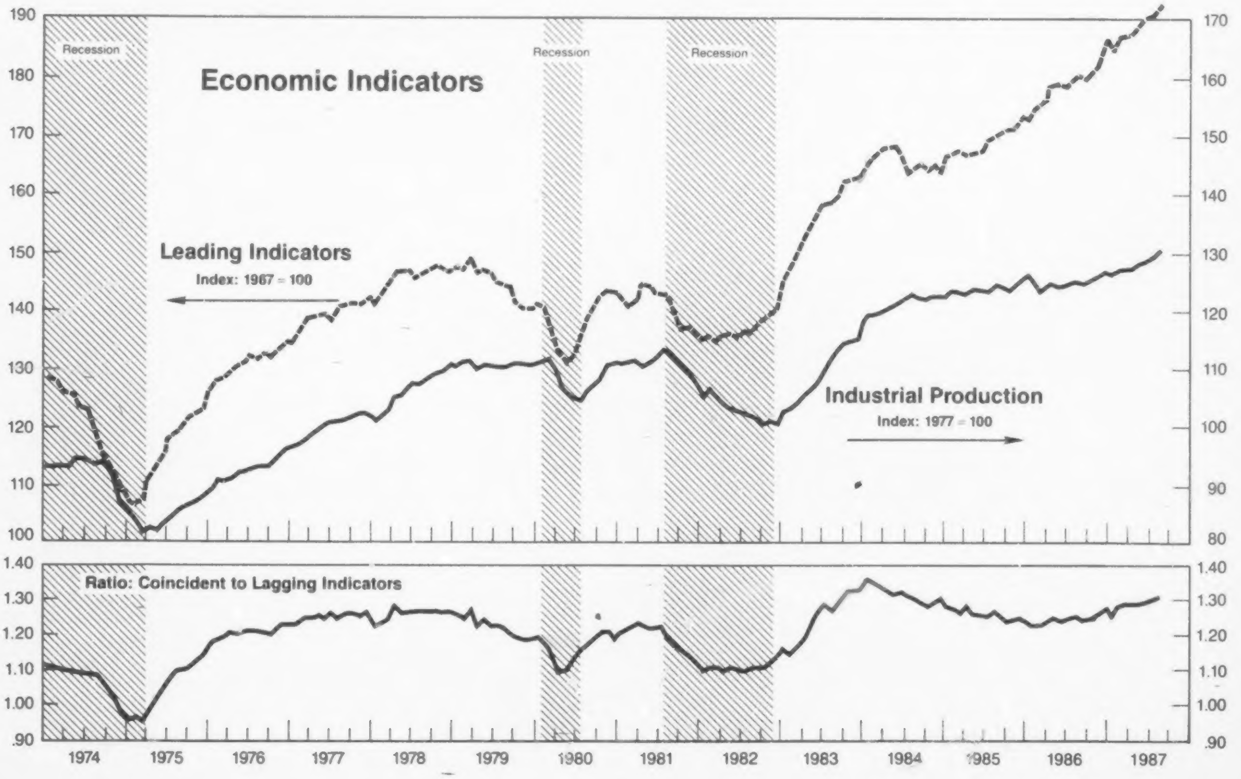


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Aug.	X			2.0%	6.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Aug.			X	1.4%	12.9%
New orders, nondefense capital goods (deflated)	Aug.			X	- 1.7%	13.1%
*New business formation	Aug.	X			1.7%	1.6%
*Housing permits	Aug.		X		0.6%	-13.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Aug.		X		0.3%	5.0%
*Change in inventory, on hand & order (deflated)	Jul.		X		3.2%	35.1%
Purchasing agents' buying policy	Sep.		X		0.0%	- 1.0%
*Vendor performance, reported slower deliveries	Aug.		X		0.0%	9.0%
Industrial raw materials prices	Sep.	X			5.8%	32.2%
*Change in sensitive material prices	Aug.		X		1.2%	2.7%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Aug.		X		- 0.3%	0.9%
Change in business loans	Aug.	X			8.8%	-43.2%
*Change in credit outstanding	Jul.			X	- 6.7%	- 8.4%
Change in consumer installment debt	Jul.			X	- 2.7%	-33.9%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			3.6%	6.9%
*Common stock prices	Sep.		X		5.5%	33.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	Sep.		X		0.0hr	0.2hr
*Initial unemployment claims (inverted)	Aug.	X			8.9%	21.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



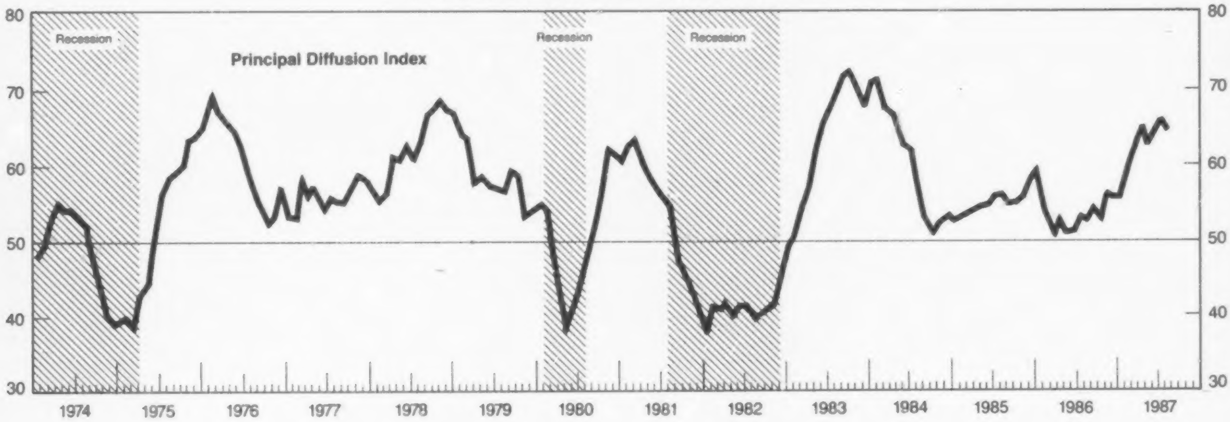
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986 Aug.	1987 May	Jun.	Jul.	Aug.(e)
Principal Diffusion Index	53.5	62.3r	64.0r	65.9r	64.3
Auxillary Diffusion Index	48.0	43.5r	55.6r	56.3r	44.7
Industrial Group	49.2	58.9r	61.2r	64.2r	62.4
Nonindustrial Group	57.7	65.6	66.8	67.7r	66.2
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	62.4	68.8	73.5	77.8	76.9
Labor	46.4	54.0r	52.9r	56.5r	53.8
Miscellaneous	36.5	56.4	63.5	62.8r	62.2
Nonindustrial Subgroups					
Prices	66.0	85.3	88.5	91.7	86.5
Consumer	73.1	67.9	72.6	71.8	76.5
Building	39.1	44.2	45.5	46.2r	38.5
Miscellaneous	49.1	64.5	60.7	62.0r	60.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984 *Nov.*	*Feb.*	*1985* *May*	*Aug.*	*Nov.*	*Feb.*	*1986* *May*	*Aug.*	*Nov.*	*Feb.*	*1987* *May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	57	61	52	51	55	61	61	50	51	55	55	59
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	62	48	45	53	63	61	44	50	56	55	62
2. Expectations for Economy, Six Months Ahead	57	61	53	53	56	62	62	52	51	54	53	56
3. Expectations for Own Industry, Six Months Ahead	58	61	55	54	56	59	60	54	53	56	56	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1985	1986			1987		Percent Change From Previous Year	
	IV	I	II	III	Ir	IIp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS								
New appropriations	27.190	23.386	19.991	20.203	21.441	26.235	31.2	14.7
Capital expenditures	26.336	23.566	24.309	22.452	20.801	22.897	− 5.8	5.5
Change in appropriations backlog*	−2.594	−2.368	−6.447	−5.060	−0.749	+2.702		
Durable Goods								
New appropriations	12.005	11.613	9.578	10.051	9.746	13.232	−38.1	16.1
Capital expenditures	12.676	11.479	11.880	12.186	11.124	11.288	− 5.0	1.2
Change in appropriations backlog*	−3.063	−1.582	−3.824	−3.986	−2.070	+1.574		
Nondurable Goods								
New appropriations	15.185	11.773	10.413	10.152	11.695	13.003	24.9	13.4
Capital expenditures	13.660	12.087	12.429	10.266	9.677	11.609	− 6.6	10.3
Change in appropriations backlog*	+0.469	−0.786	−2.623	−1.074	+1.522	+1.108		
ELECTRIC & GAS UTILITIES								
New appropriations	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.078r	8.417r	7.425	8.115	7.839		− 2.0	
Change in appropriations backlog*	−4.984r	−0.261r	+1.773	−7.325	−0.028			

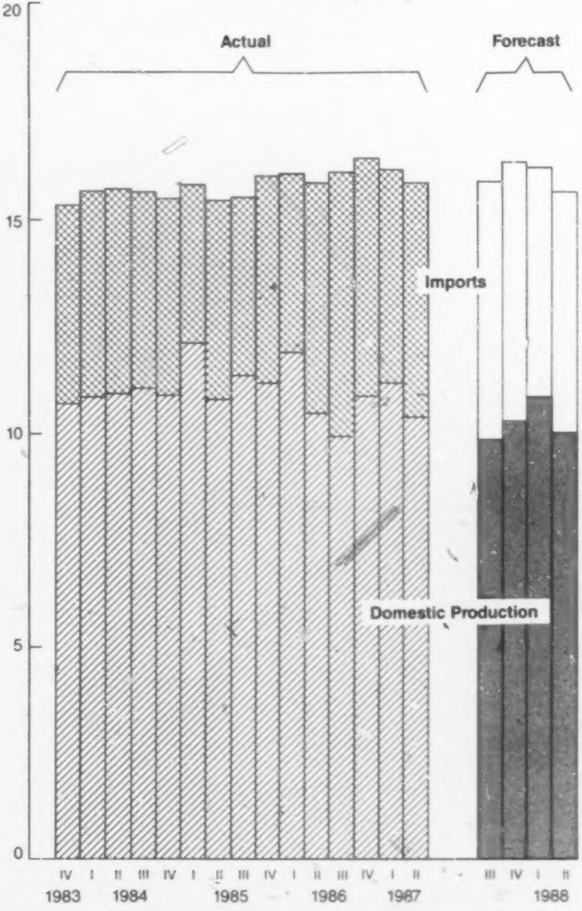
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

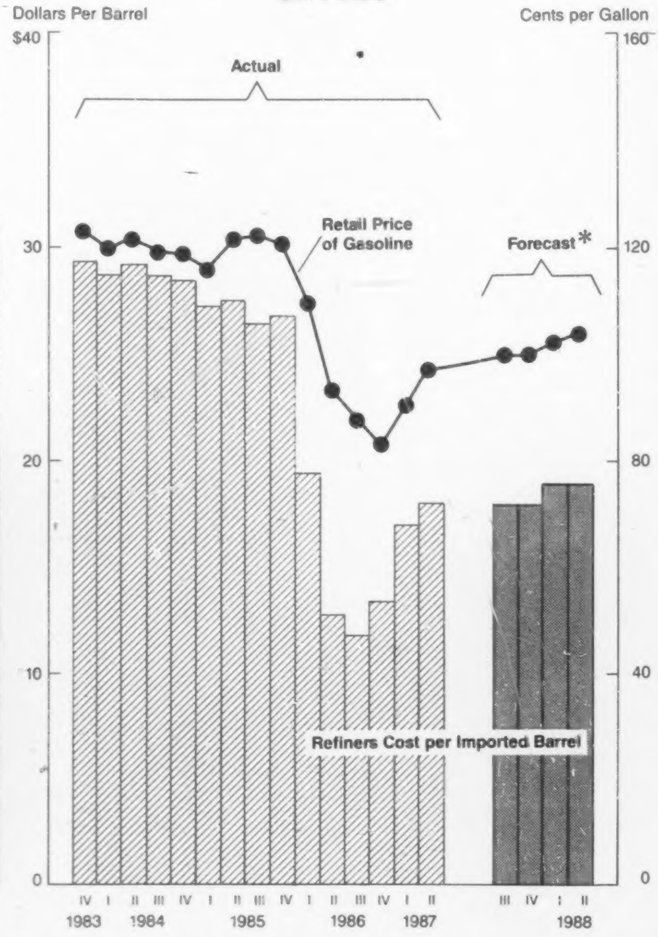
* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Oil Supply

Millions of Barrels per Day



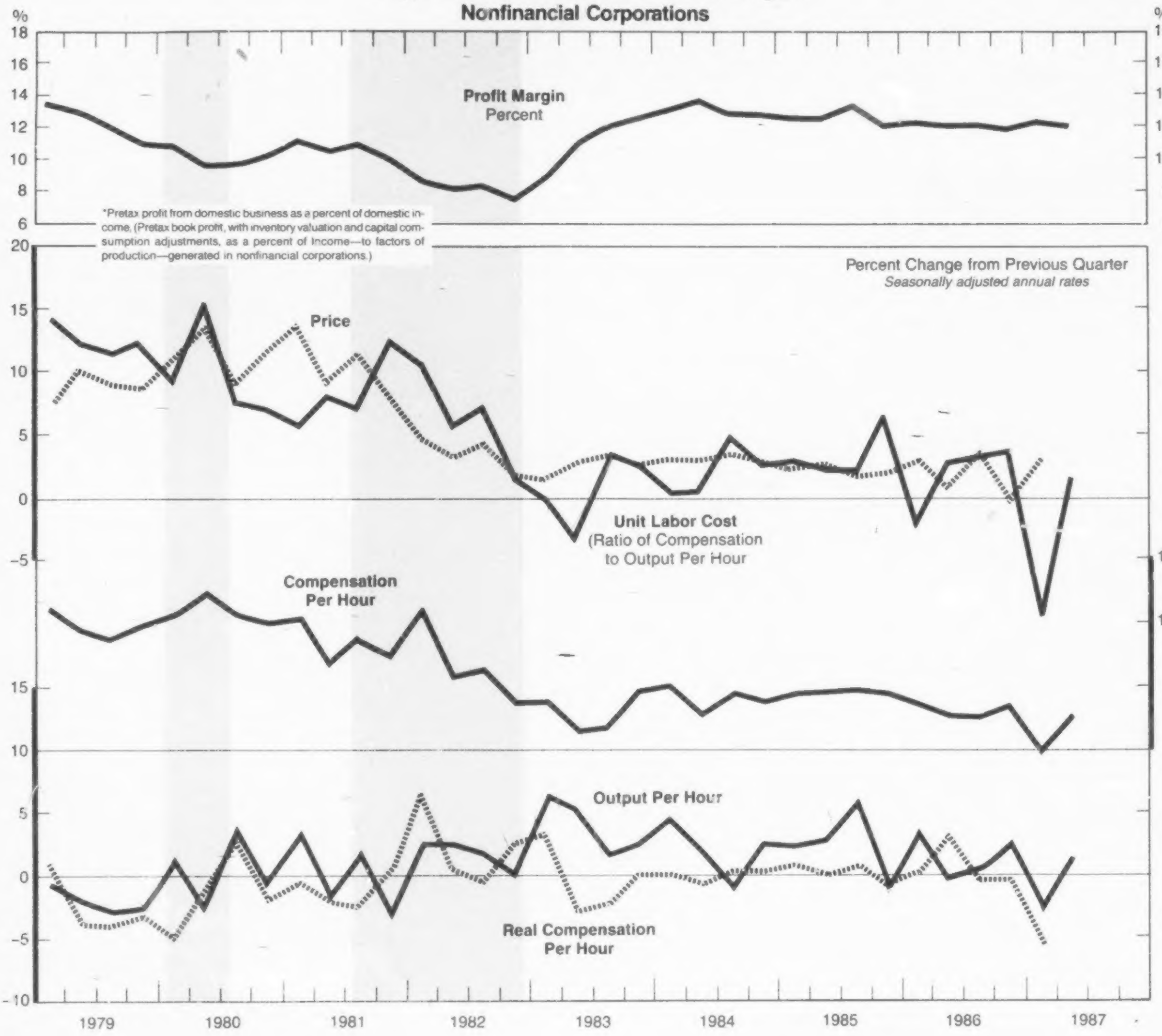
Oil Price



*Source of Forecast is The Energy Information Administration, Department of Energy.

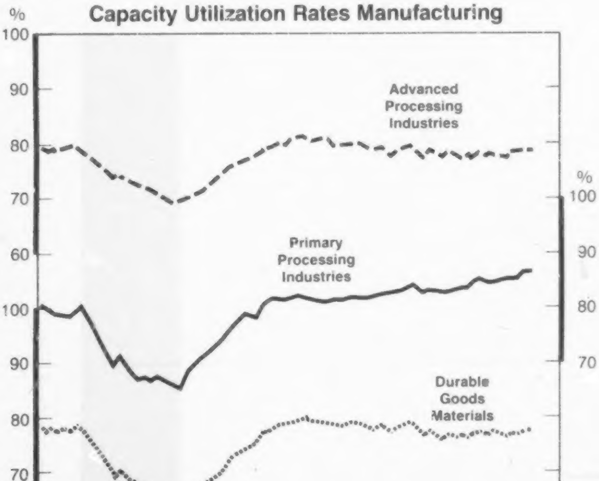
Key Determinants of Profit Margin

Nonfinancial Corporations

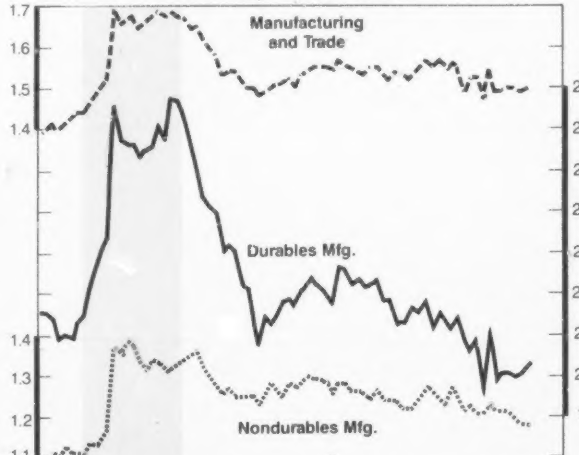


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory - Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Sept., 1987*		*Sept., 1987*		*Sept., 1987*		*Sept., 1987*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**II**	**$4445.1**	**6.3%**	**$4445.1**	**6.3%**	**$4445.1**	**6.3%**	**$4445.1**	**6.3%**
Forecast		III	4534.1	8.3	4513.3	6.3	4536.0	8.4	4520.3	6.9
		IV	4627.0	8.5	4588.8	6.9	4624.0	8.0	4597.3	7.0
	1988	I	4708.9	7.3	4676.2	7.8	4700.0	6.7	4677.3	7.1
		II	4787.9	6.9	4765.4	7.9	4783.0	7.3	4753.0	6.6
		III	4859.8	6.1	4858.1	8.0	4864.0	6.9	4833.5	6.9
		IV	4939.8	6.7	4952.4	8.0	4944.0	6.7	4926.1	7.9
	1989	I	5032.7	7.7	5026.2	6.1	5009.0	5.4	5011.8	7.1
		II	5120.8	7.2	5155.4	10.7	5070.0	5.0	5094.7	6.8
		III	5208.5	7.0	5215.2	4.7	5132.0	5.0	5155.9	4.9
	1987	Annual	4496.0	6.2	4481.2	5.8	4495.7	6.2	4485.1	5.9
	1988	Annual	4824.1	7.3	4813.0	7.4	4822.8	7.3	4797.5	7.0
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**II**	**$3795.3**	**2.5%**	**$3795.3**	**2.5%**	**$3795.3**	**2.5%**	**$3795.3**	**2.5%**
Forecast		III	3839.7	4.8	3823.2	3.0	3831.0	3.8	3829.7	3.7
		IV	3879.8	4.2	3846.9	2.5	3863.0	3.4	3853.7	2.5
	1988	I	3919.1	4.1	3870.3	2.5	3891.0	2.9	3881.3	2.9
		II	3947.2	2.9	3893.7	2.4	3917.0	2.7	3904.7	2.4
		III	3964.5	1.8	3916.0	2.3	3948.0	3.2	3926.3	2.2
		IV	3989.9	2.6	3937.1	2.2	3974.0	2.7	3953.5	2.8
	1989	I	4017.5	2.8	3954.1	1.7	3991.0	1.7	3968.2	1.5
		II	4040.5	2.3	3967.1	1.3	4005.0	1.4	3977.1	0.9
		III	4061.8	2.1	3952.9	−1.4	4019.0	1.4	3969.1	−0.8
	1987	Annual	3821.8	2.9	3809.4	2.6	3815.4	2.7	3812.7	2.7
	1988	Annual	3955.2	3.5	3904.3	2.5	3932.5	3.1	3916.5	2.7
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**II**	**117.1**	**3.5%**	**117.1**	**3.5%**	**117.1**	**3.5%**	**117.1**	**3.5%**
Forecast		III	118.1	3.3	118.1	3.2	118.4	4.4	118.0	3.1
		IV	119.0	3.1	119.3	4.3	119.7	4.5	119.3	4.3
	1988	I	120.2	3.9	120.8	5.3	120.8	3.7	120.5	4.1
		II	121.3	3.9	122.4	5.3	122.1	4.4	121.7	4.1
		III	122.6	4.3	124.1	5.6	123.2	3.6	123.1	4.6
		IV	123.8	4.1	125.8	5.7	124.4	4.0	124.6	4.9
	1989	I	125.3	4.8	127.1	4.3	125.5	3.6	126.3	5.6
		II	126.7	4.8	130.0	9.2	126.6	3.5	128.1	5.8
		III	128.2	4.8	131.9	6.2	127.7	3.5	129.9	5.7
	1987	Annual	117.6	3.1	117.6	3.1	117.8	3.3	117.6	3.1
	1988	Annual	122.0	3.7	123.3	4.8	122.6	4.1	122.5	4.1
Unemployment Rate										
Actual	**1987**	**II**		**6.2%**		**6.2%**		**6.2%**		**6.2%**
Forecast		III		6.0		6.0		6.0		6.0
		IV		5.9		5.9		5.9		5.9
	1988	I		5.7		5.8		5.9		5.7
	1988	II		5.5		5.7		6.1		5.6
		III		5.5		5.7		6.2		5.5
		IV		5.5		5.7		6.4		5.5
	1989	I		5.4		5.7		6.6		5.7
		II		5.3		5.9		6.8		5.9
		III		5.3		6.3		6.9		6.2
	1987	Annual		6.2		6.2		6.2		6.2
	1988	Annual		5.6		5.7		6.2		5.6

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[1] Based on first revised (first revision) second quarter data.

[2] Based on second revised (second revision) second quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[2]		Laurence H. Meyer Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Sept., 1987		*Sept., 1987*		*Sept., 1987*		*Sept., 1987*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4447.7	**6.6%**	**$4445.1**	**6.3%**	**$4445.1**	**6.3%**	**$4445.1**	**6.3%**	**II**	**1987**	**Actual**
4526.0	7.2	4509.8	6.0	4514.0	6.3	4516.8	6.6	III		Forecast
4610.0	7.6	4587.8	7.1	4582.0	6.2	4580.7	5.8	IV		
4680.0	6.2	4658.3	6.3	4661.2	7.1	4673.6	8.4	I	1988	
4745.0	5.7	4733.8	6.6	4728.6	5.9	4755.0	7.2	II		
4827.0	7.1	4815.7	7.1	4788.1	5.1	4836.9	7.1	III		
4919.0	7.8	4897.4	7.0	4855.1	5.7	4919.6	7.0	IV		
		4991.6	7.9	4939.3	7.1	4999.9	6.7	I	1989	
		5077.0	7.0	5020.9	6.8	5078.9	6.5	II		
		5166.6	7.2	5103.0	6.7	5141.9	5.1	III		
4490.4	6.0	4480.1	5.8	4479.7	5.8	4480.1	5.8	Annual	1987	
4792.8	6.7	4776.3	6.6	4758.3	6.2	4796.3	7.1	Annual	1988	
								Gross National Product Billions of Constant (1982) Dollars		
$3793.7	**2.5%**	**$3795.3**	**2.5%**	**$3795.3**	**2.5%**	**$3795.3**	**2.5%**	**II**	**1987**	**Actual**
3829.1	3.8	3820.2	2.7	3821.8	2.8	3819.7	2.6	III		Forecast
3857.7	3.0	3855.2	3.7	3847.0	2.7	3845.8	2.8	IV		
3874.2	1.7	3878.4	2.4	3882.2	3.7	3886.4	4.3	I	1988	
3886.2	1.2	3903.6	2.6	3904.4	2.3	3919.5	3.5	II		
3908.5	2.3	3927.5	2.5	3915.4	1.1	3944.3	2.6	III		
3935.2	2.8	3953.2	2.6	3934.7	2.0	3971.4	2.8	IV		
		3982.4	3.0	3960.7	2.7	3991.5	2.0	I	1989	
		4009.1	2.7	3983.9	2.4	4012.0	2.1	II		
		4035.2	2.6	4006.6	2.3	4018.9	0.7	III		
3813.2	2.7	3810.7	2.6	3809.1	2.6	3808.3	2.6	Annual	1987	
3901.0	2.3	3915.7	2.8	3909.2	2.6	3930.4	3.2	Annual	1988	
								Gross National Product deflator Index, 1982 = 100		
117.2	**3.4%**	**117.1**	**3.5%**	**117.1**	**3.5%**	**117.1**	**3.5%**	**II**	**1987**	**Actual**
118.2	3.3	118.1	3.2	118.1	3.4	118.3	3.9	III		Forecast
119.5	4.5	119.0	3.3	119.1	3.4	119.1	2.9	IV		
120.8	4.4	120.1	3.8	120.1	3.3	120.3	3.9	I	1988	
122.1	4.4	121.3	3.9	121.1	3.5	121.3	3.6	II		
123.5	4.7	122.6	4.5	122.3	4.0	122.6	4.4	III		
125.0	4.9	123.9	4.2	123.4	3.7	123.9	4.1	IV		
		125.3	4.8	124.7	4.3	125.3	4.6	I	1989	
		126.6	4.2	126.0	4.3	126.6	4.3	II		
		128.0	4.5	127.4	4.3	127.9	4.3	III		
117.7	3.2	117.6	3.1	117.6	3.1	117.6	3.1	Annual	1987	
122.8	4.3	122.0	3.8	121.7	3.5	122.0	3.7	Annual	1988	
								Unemployment Rate		
	6.2%		**6.2%**		**6.2%**		**6.2%**	**II**	**1987**	**Actual**
	6.0		6.0		6.0		6.0	III		Forecast
	5.9		5.9		6.0		6.0	IV		
	6.2		6.0		5.9		5.9	I	1988	
	6.5		6.0		5.9		5.7	II		
	6.5		5.9		5.9		5.7	III		
	6.3		5.9		5.9		5.7	IV		
			5.8		5.9		5.7	I	1989	
			5.8		5.8		5.8	II		
			5.7		5.8		6.1	III		
	6.2		6.2		6.2		6.2	Annual	1987	
	6.4		6.0		5.9		5.7	Annual	1988	

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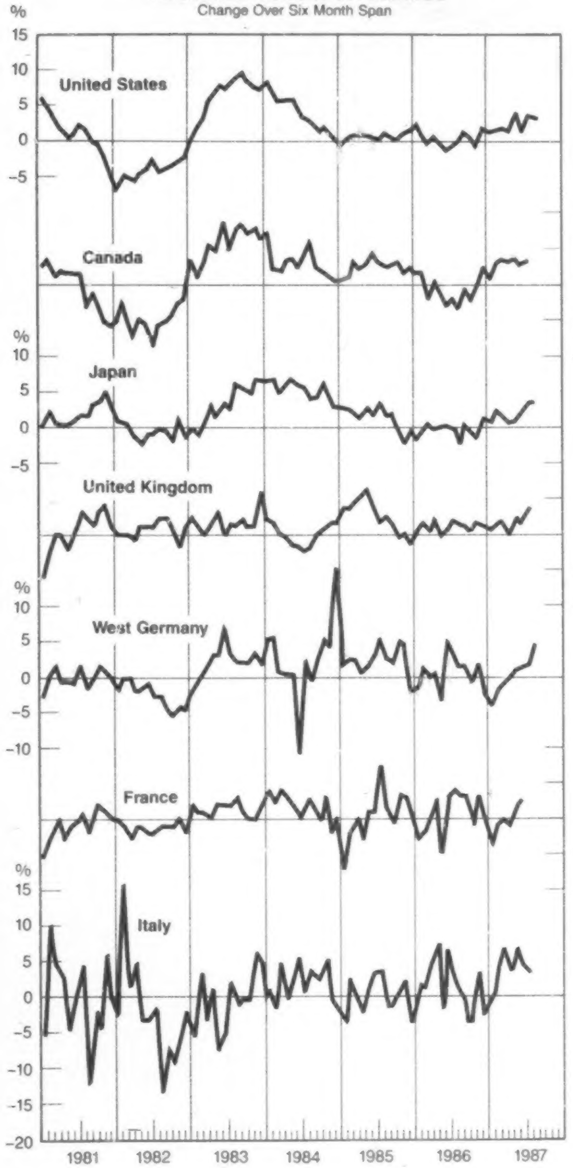
Selected International Comparisons

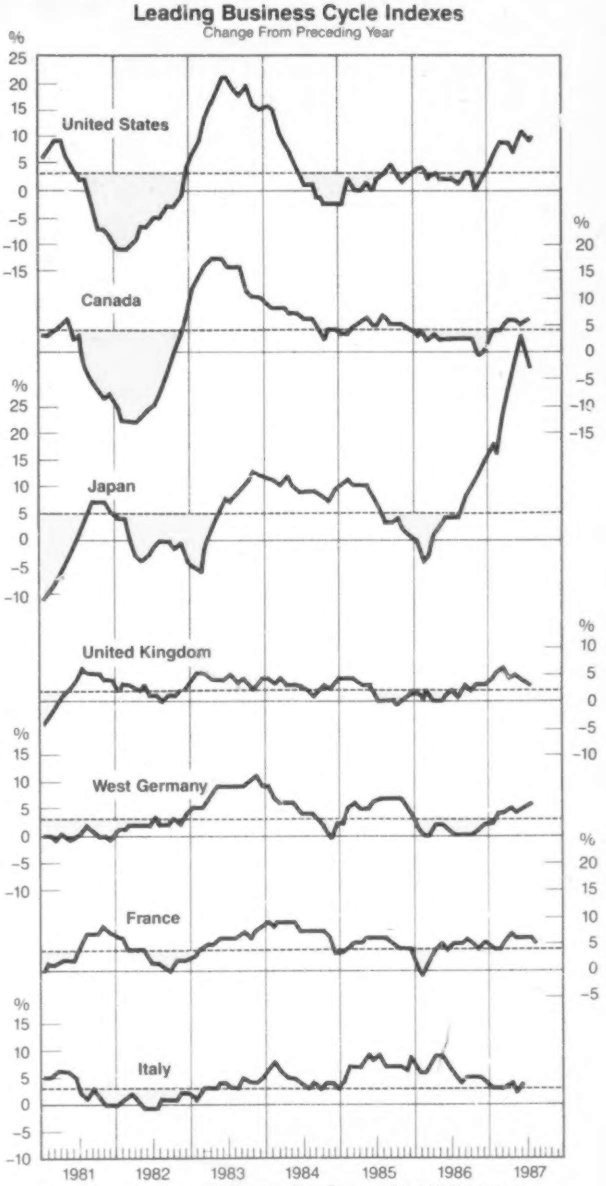
Industrial Production Indexes

Change Over Six Month Span



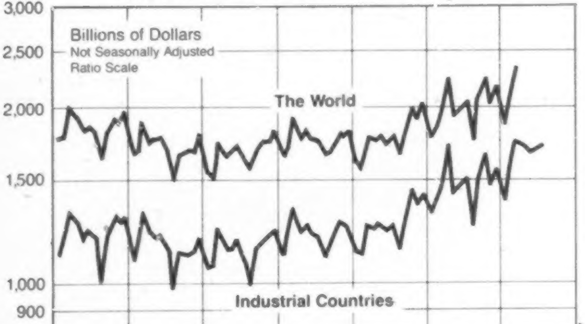
Leading Business Cycle Indexes

Change From Preceding Year

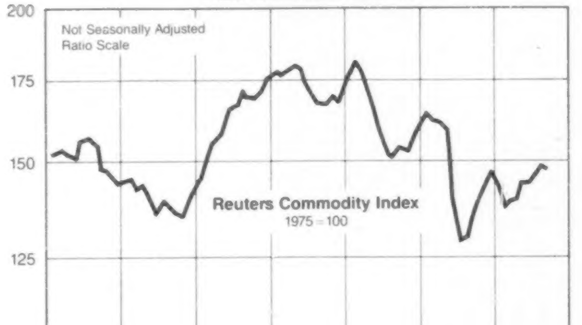


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

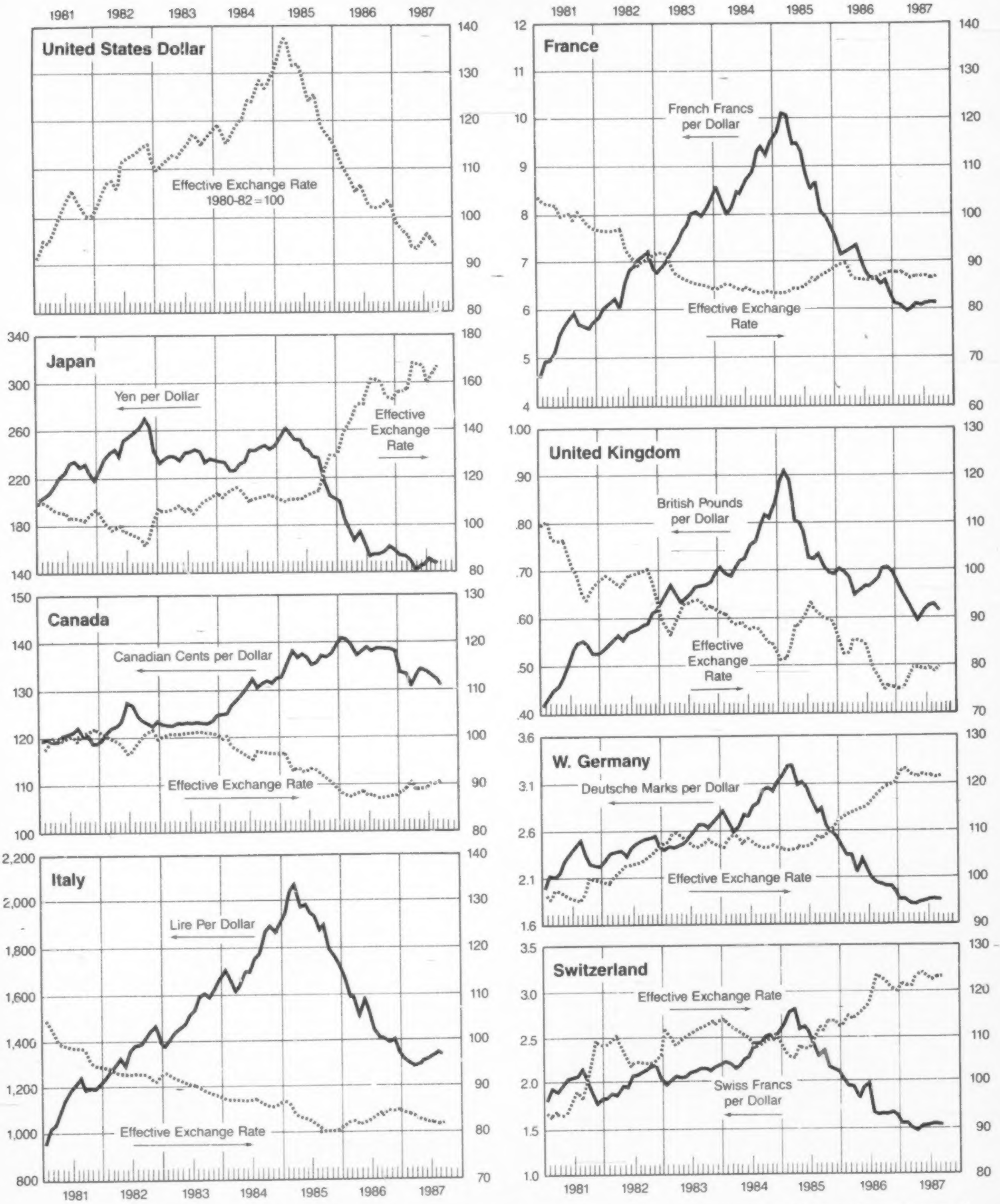


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note.: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

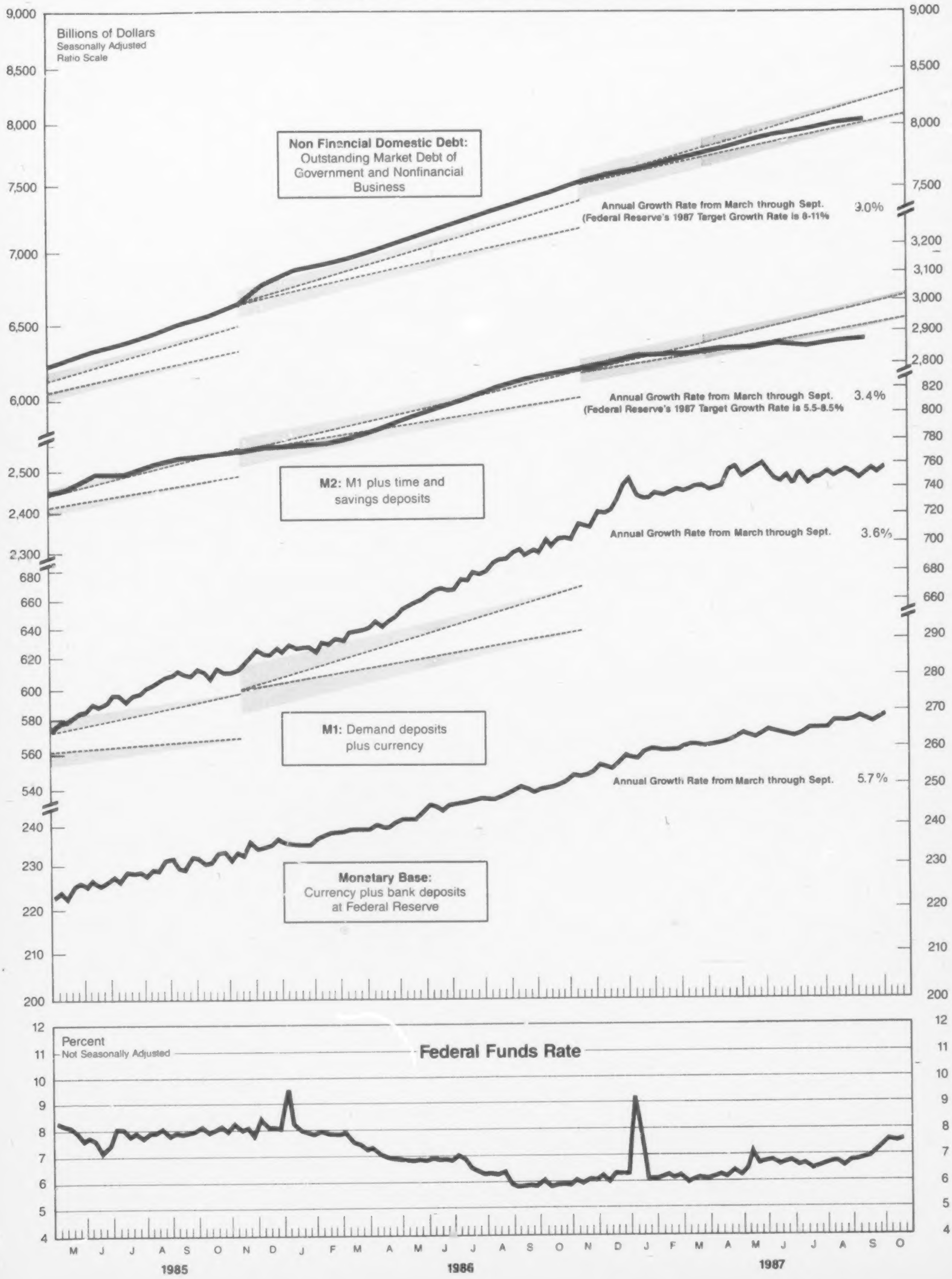
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**–220.7**	**–158.4**	**–123.3**	**–137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	– 0.7
Offsetting receipts	– 33.0	– 37.2	– 45.3	– 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets



CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

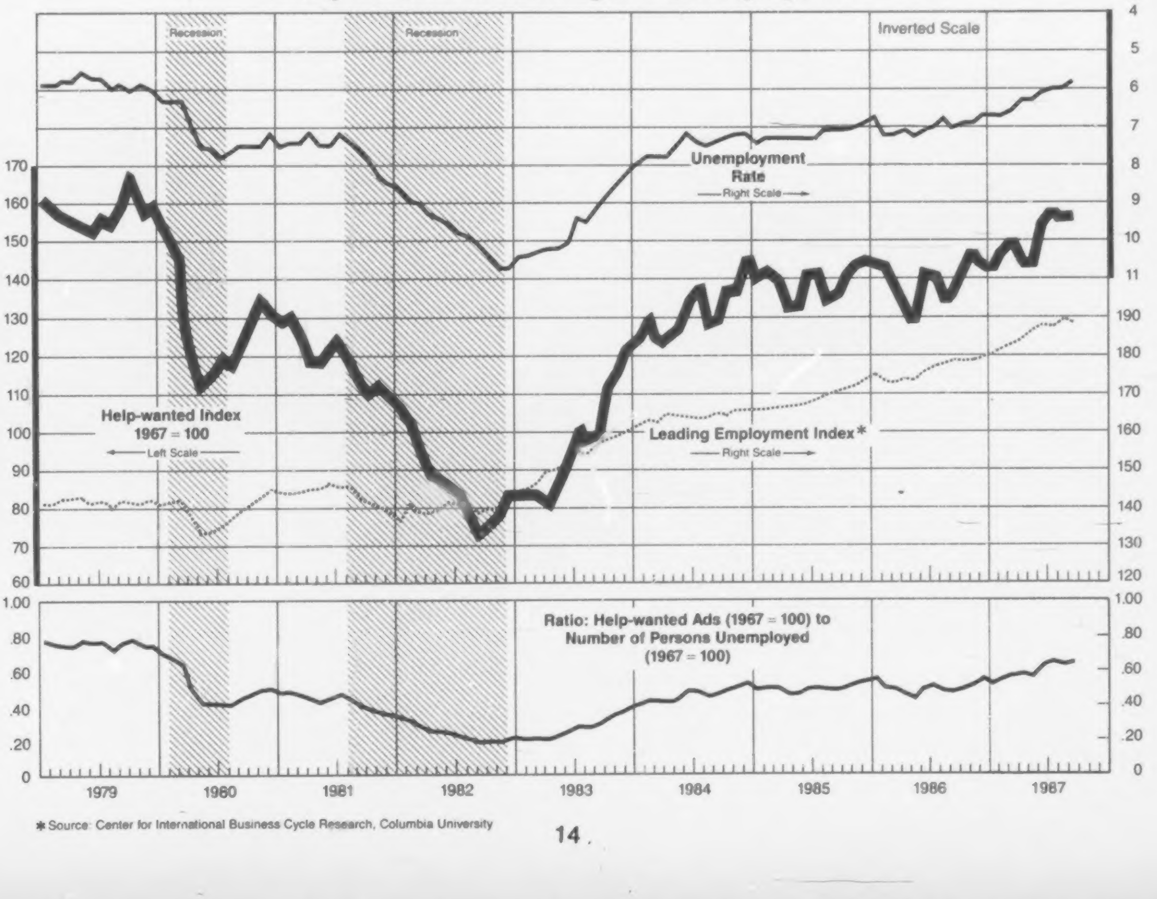
Seasonally Adjusted Indexes, 1967 = 100

Locality	1987			1986
	Aug.	Jul.	Jul	Aug.
National Index	155	158	155	134
New England	171	186	193	159
Boston	N.A.	184	189	160
Hartford	186	195	196	174
Providence	161	181	202	142
Middle Atlantic	92	95	92	75
Albany	262	300	265	172
Allentown	372	385	374	260
New York	67	66	67	57
Philadelphia	81	86	79	67
Pittsburgh	95	95	89	80
Rochester	88	94	93	81
Syracuse	152	162	151	139
East North Central	107	105	105	92
Chicago	120	120	120	100
Cincinnati	165	157	156	150
Cleveland	74	75	71	62
Columbus	186	187	184	154
Dayton	86	85	86	82
Detroit	59	57	56	60
Gary	174	150	179	119
Indianapolis	109	114	125	93
Milwaukee	81	83	72	61
Toledo	130	124	122	119
West North Central	96	95	96	85
Kansas City	126	140	144	151
Minneapolis	91	87	85	55
Omaha	165	140	139	132
St. Louis	66	64	68	64
South Atlantic	212	239	214	185
Atlanta	268	279	277	245
Baltimore	207	345	226	225

	1987			1986
	Aug.	Jul.	Aug.	Aug.
Charlotte	204	202	199	158
Jacksonville	248	254	267	218
Miami	N.A.	151	120	87
Richmond	159	167	174	127
Washington, D.C.	N.A.	207	215	180
East South Central	173	183	172	143
Birmingham	172	176	167	146
Knoxville	277	263	260	216
Louisville	94	99	102	79
Memphis	154	145	147	130
Nashville	231	284	240	189
West South Central	170	170	167	153
Dallas	147	153	158	160
Houston	252	238	227	205
New Orleans	115	123	115	100
Oklahoma City	111	122	119	96
San Antonio	133	138	144	138
Tulsa	133	139	140	111
Mountain	305	308	315	270
Denver	213	211	197	173
Phoenix	406	407	442	384
Salt Lake City	343	355	363	300
Pacific	245	231	235	207
Los Angeles	171	157	164	144
Sacramento	450	452	443	394
San Bernadino	N.A.	N.A.	272	238
San Diego	548	533	560	461
San Francisco	253	239	235	211
Seattle	248	224	217	213
Percentage of papers with rising volume	41	55	90	18
Unemployment rate	6	6	6.1	6.8

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100

(Seasonally Adjusted)

Consumer Confidence Index

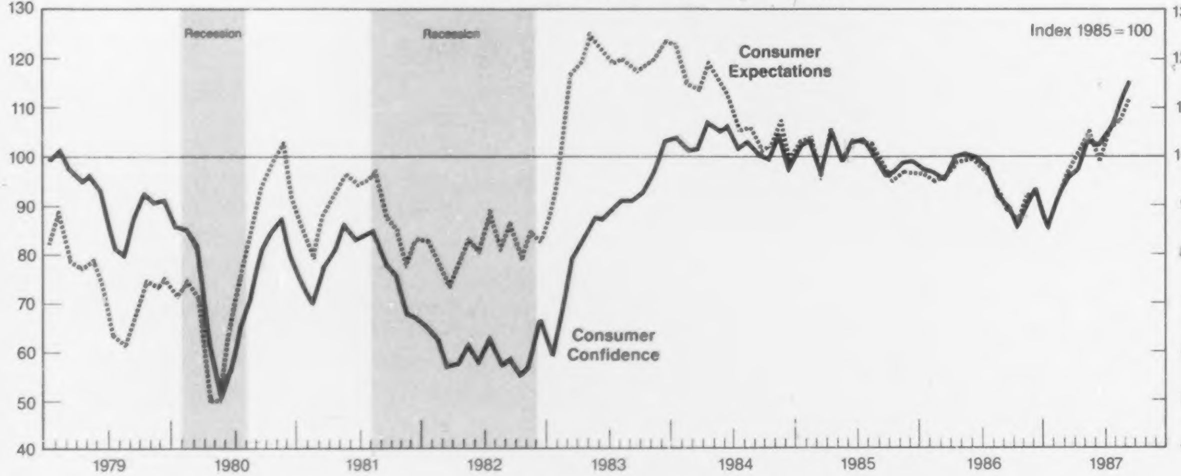
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7r	114.8p			
Buying Plans Index												
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5r	105.7p			

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations



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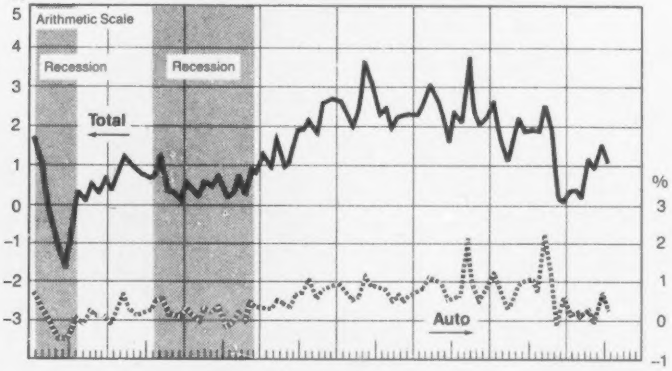
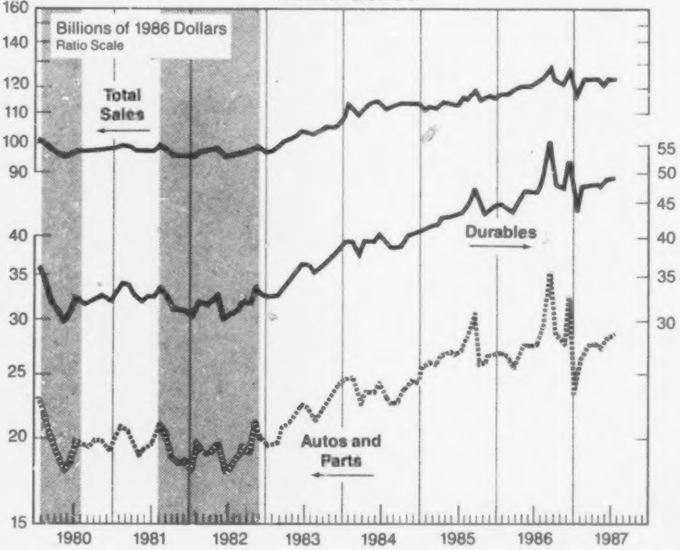
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



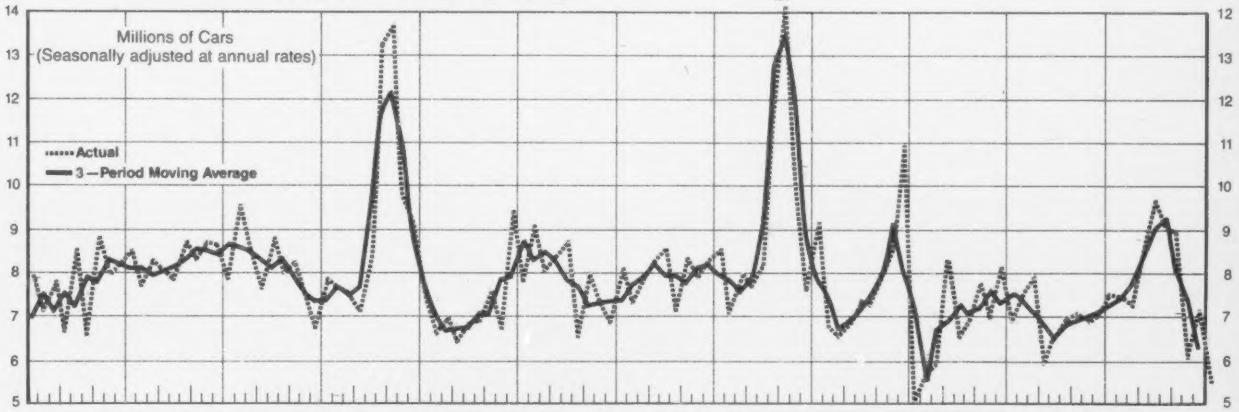
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

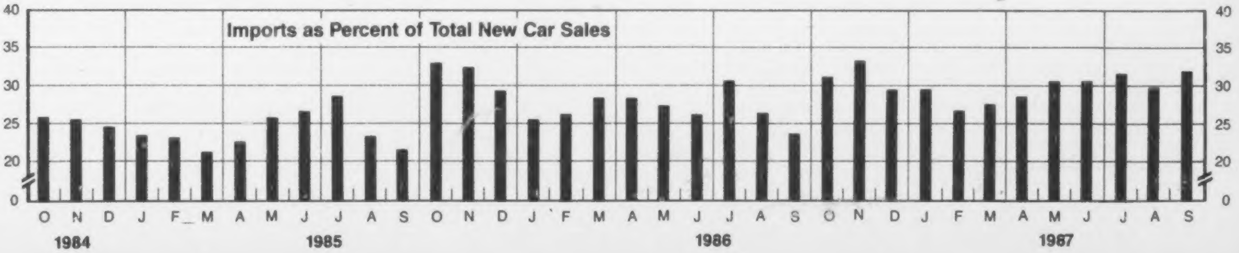
Millions, Seasonally Adjusted at Annual Rate

Periods		1984	1985	1986	1987
January:	1-10	8.16	8.46	7.76	4.78
	11-20	7.84	7.66	9.05	5.71
	21-31	9.15	8.23	8.02	5.95
February:	1-10	7.79	8.01	8.36	8.26
	11-20	9.17	7.84	8.71	6.46
	21-28(29)	7.60	8.69	6.47	6.87
March:	1-10	7.35	8.27	7.93	7.76
	11-20	8.13	8.73	7.23	6.95
	21-31	7.35	8.67	6.81	8.13
April:	1-10	8.88	7.84	8.06	6.85
	11-20	7.96	9.48	7.25	7.52
	21-30	8.60	8.42	7.92	7.89
May:	1-10	8.19	7.60	8.30	5.93
	11-20	7.74	8.78	8.57	6.44
	21-31	8.43	7.96	7.09	6.96
June:	1-10	7.22	8.21	8.27	6.95
	11-20	8.25	7.51	7.84	7.03
	21-30	8.10	6.71	8.30	7.45
July:	1-10	9.51	7.81	8.50	7.42
	11-20	8.32	7.63	7.03	7.29
	21-31	8.59	7.57	7.96	8.53
August:	1-10	7.33	7.09	7.64	9.60
	11-20	8.07	8.30	8.19	9.03
	21-31	7.43	13.23	11.65	8.99
September:	1-10	8.13	13.64	18.67	6.09
	11-20	8.52	9.70	9.87	7.09
	21-30	6.03	9.10	7.58	5.54
October:	1-10	7.83	7.40	9.07	
	11-20	7.07	6.57	6.72	
	21-31	7.70	6.92	6.51	
November:	1-10	6.60	6.40	6.80	
	11-20	8.44	6.81	7.32	
	21-30	6.57	6.91	7.23	
December:	1-10	8.75	7.56	7.95	
	11-20	7.96	6.69	8.54	
	21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales





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STATISTICAL BULLETIN

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Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

Highlights

- CONSUMER DEMAND REMAINS EXPANSIVE
- EXCEPT FOR HOME BUYING
- INDUSTRIAL ACTIVITY IS STILL IMPROVING
- BUT NEW ORDERS REMAIN WEAK
- FINANCIAL MARKET TURBULENCE VERY LIKELY TO WEAKEN BOTH CONSUMER AND BUSINESS CONFIDENCE—AND TO RAISE
- SERIOUS QUESTIONS ABOUT GROWTH PROSPECTS
- OUTLOOK • SLUGGISH FOURTH QUARTER, FOLLOWED BY GROWTH SLOWDOWN IN FIRST HALF OF 1988

Volume 20, No. 11, November, 1987

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Growth prospects for the U.S. economy have changed dramatically in the wake of October's stock market tumble. From November 1986 through October 1987, the median **Economic Forecast** for real GNP growth—from the fourth quarter of 1987 to the fourth quarter of 1988—was about 2.5%, annualized. After the market tumble, that forecast was drasticaly scaled down to 1.1 percent. That has to be a record one-month turnaround.

The change in outlook is severe and diffuse. Consumer buying of homes, cars, appliances and furniture is likely to decline over the next four quarters. The incipient recovery in business spending on equipment is likely to be wiped out. Moreover, whether the budget deficit reduction talks result in less spending and/or more taxes, the impact on the pace of economic activity will be negative. Finally, there is concern about dollar depreciation or less capital inflow, which might put upward pressure on interest rates.

DOMESTIC MARKET MONITOR

Reports on labor-market activity in October were favorable: Jobs rose in both goods and service production; total hours worked increased; labor force participation rose; and hourly pay rates picked up.

One problem in interpreting the labor statistics is that the degree of improvement over the last few months is almost uniformly stronger in the establishment survey than in the household survey. Regardless of which set of numbers contains the real story, however, it tells more about where the economy has been than about where it is headed.

The consensus of the **Economic Forecasts** is that job growth will slow, perhaps sharply, over the next six to 12 months. The upset in financial markets suggests that employment in financial services is likely to fall. A decline in the growth of consumer buying and/or an early end to the recovery in business investment may also spell a loss of jobs in goods production.

INCOME: The rise in hourly pay has been vigorous. The average rate in private industry was 11 cents higher in October than three months earlier, in contrast with a gain of a penny or two per month over the first half of 1987. If the revised Economic Forecasts are on target, the rise may end quickly, pulling one prop out from under the growth of consumer buying.

Wage-income growth has been robust due to higher hourly rates, more workers and a longer workweek. Wages in commodity-producing industry were 1.5% higher in September than three months earlier. Elsewhere, wages were 2.2% higher. Nonwage-income growth has also been strong. Dividends and interest income, however, are likely to slow over the next few months.

The rise in consumer borrowing has been significantly lower this year than in the last two years. The difference is even more pronounced when auto debt is subtracted. Consumers, then, appear to have already cut back on financed purchasing.

Before the stock market crash, consumer attitudes were at a 15 year high. Moreover, a flash survey taken in the wake of the crash showed little change in the level of consumer confidence. If labor markets begin to weaken, however, consumer attitudes are likely to drop in tandem.

SPENDING: The rise in consumer buying has been remarkably strong and long lived. Retail sales, less autos, were 0.8% higher in October than three months earlier. Spending on durable goods, except for cars, was 1.7% higher. The expectation is that sales are likely to decline as consumers turn more cautious.

Domestic **Automobile Sales** slowed in October, after a spate of promotion-induced buying in August and September. Despite lower interest rates, domestic car sales are likely to remain close to six million units per ten-day period over the near term.

CONSTRUCTION: Were it not for the recent financial market agitation, a case could be made for recovery in home buying. Single-family home sales were 6% higher in August than three months earlier. Single-unit starts were 7.4% higher. If consumer attitudes are shaken by events on Wall Street and Tokyo, household willingness to incur long-term, major financial commitments such as buying a new home may remain weak despite falling mortgage rates.

Revised data also show a recovery in nonresidential construction. Office, store and factory building was 2.6% higher in September than three months earlier. That brings the level of activity back to the pace of a year ago. The recovery may prove short lived, however.

PRODUCTION: The pre-crash trend in industrial output was strongly expansionist. Output of raw material was 1% higher in September than three months earlier. Semifinished goods were up 1 percent. Finished consumer goods, business equipment, and defense- and space-related output were also on an upward trend. Moreover, hours worked rose sharply in October, suggesting another big jump in in-

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board Inc. 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y.

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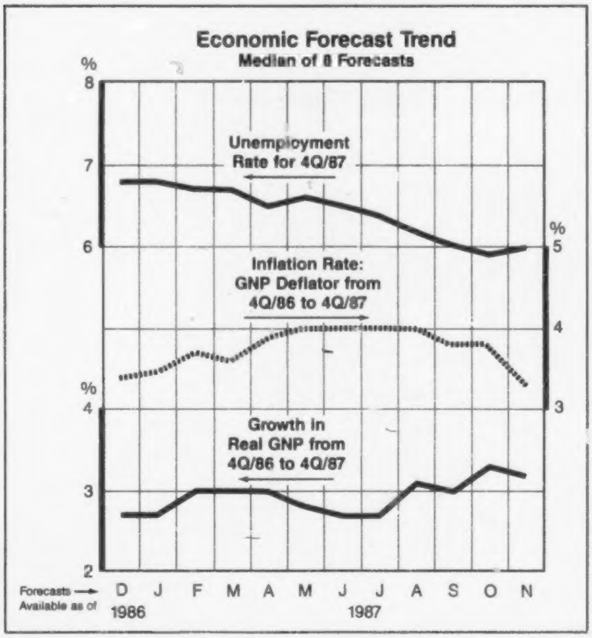


dustrial output. These gains, which have been related to the rising pace of consumption and investment, may also fall victim to altered consumer and business confidence. There were already some signs that the recovery in busines investment was running into difficulty before the crash.

One reason why industrial output gains and increases in hours worked have been strong in recent months is because old orders were being filled much faster than new orders were being placed. New orders for durable goods, except defense related, were no higher in September than three months earlier but shipments were 2.8% higher. These numbers suggest that, even without financial turmoil, weak new orders might have begun to erode the pace of industrial activity. Indeed, orders for nondefense capital goods were 2.8% lower in September.

INVENTORY: Another reason for the recent pickup in output was the ongoing buildup of stocks. Total inventory, except for cars at the retail level, was only 0.9% higher in August than three months earlier, while industrial sales were 2.2% higher. Thus, the already lean Inventory-to-Sales ratio was being eviscerated. Suppliers apparently increased production to replenish stocks. But, as in other areas, if confidence weakens, the sales pace will subside, resulting in higher inventories.

INFLATION: In October, higher hourly pay rates were threatening to raise labor costs. And rising raw industrial material prices were adding to nonlabor costs. After the market crash, however, that picture began to change. For example, raw metal prices rose 1.2% the week before the crash but dropped 3.4% the following week.

Moreover, raw material price increase were not translating into higher wholesale prices. In October, raw food prices fell for the fifth straight month; raw energy prices fell for the seventh month. Prices of finished goods rose 0.5% in October, after declining by 0.2% in both August and September. The consensus of the **Economic Forecasts** (before the crash) was for a 5% rise in consumer prices by the fourth quarter of 1988. Afterward, the projection was trimmed to 4.3 percent.

INTERNATIONAL MONITOR

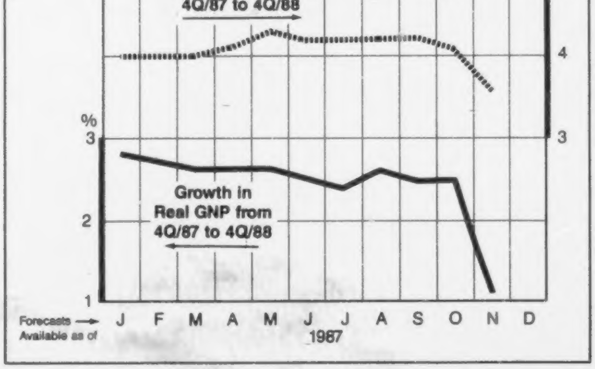
Total imports dipped in both August and September, after a surge over the prior two months. To some degree, that pattern reflects changes in shipments of energy and food. The dollar volume of manufactured imports actually rose in September, despite declines in both electrical machinery and in car imports.

Imports from developed countries were no higher in September than August, despite a significant rise in shipments from Canada. Total shipments from Japan fell, no doubt reflecting lower car imports.

Total exports from the U.S. have not varied much over the last seven months, which implies that recent changes in the trade balance have largely resulted from changes in imports. Exports of manufactured goods were higher in September than in August—shipments of machinery and transport equipment were notably higher.

Exports to developed countries rose in September, as a result of improved trade with Canada and Western Europe—but not with Japan. Exports to developing countries were basically unchanged.

Ken Goldstein
November 13, 1987

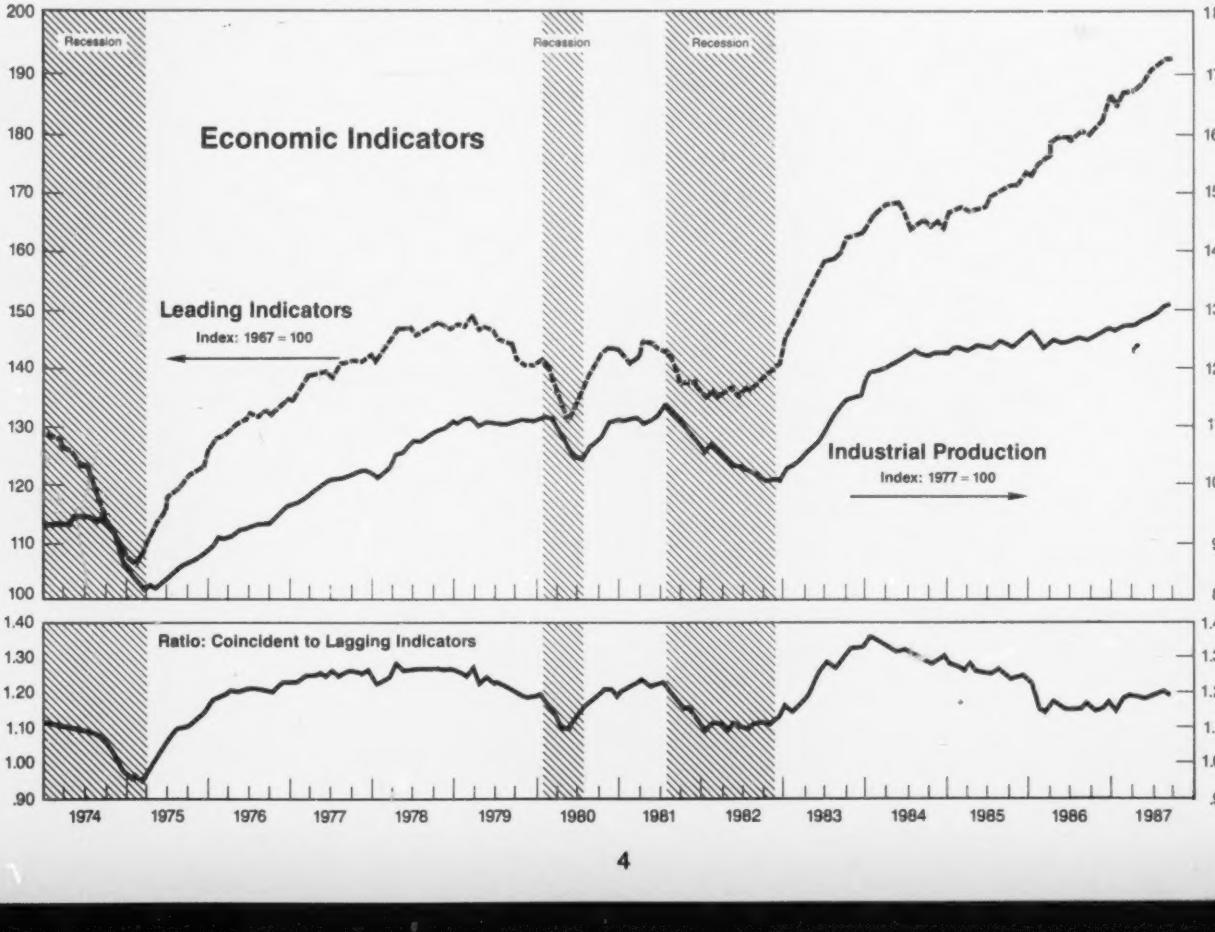


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Sept.	X			0.9%	7.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Sept.			X	– 1.4%	9.4%
New orders, nondefense capital goods (deflated)	Sept.		X		– 0.5%	10.1%
*New business formation	Sept.	X			3.7%	2.9%
*Housing permits	Sept.			X	– 1.0%	–10.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Sept.		X		– 1.0%	3.3%
*Change in inventory, on hand & order (deflated)	Aug.			X	– 5.3%	22.3%
Purchasing agents' buying policy	Oct.	X			4.0%	3.0%
*Vendor performance, reported slower deliveries	Sept.	X			12.0%	17.0%
Industrial raw materials prices	Oct.	X			3.9%	25.4%
*Change in sensitive material prices	Sept.		X		0.0%	2.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Sept.		X		0.3%	0.8%
Change in business loans	Sept.	X			43.9%	39.1%
*Change in credit outstanding	Aug.		X		0.7%	– 3.2%
Change in consumer installment debt	Aug.		X		59.7%	–11.4%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			3.6%	6.9%
*Common stock prices	Oct.			X	–11.8%	15.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		0.0hr	0.9hr
*Initial unemployment claims (inverted)	Sept.	X			12.5%	22.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



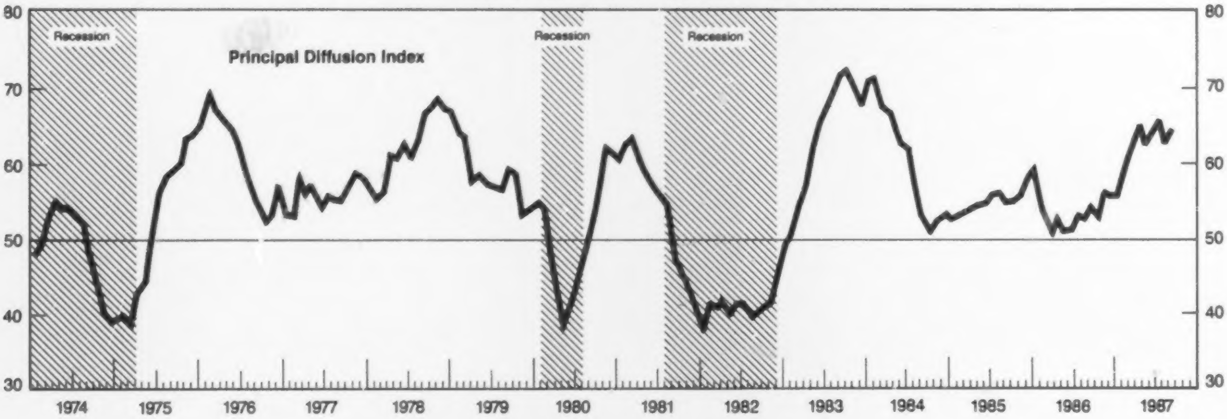
CONFERENCE BOARD DIFFUSION INDEXES

	1986	1987			
DIFFUSION INDEXES	Sept.	Jun	Jul.	Aug.	Sept.(e)
Principal Diffusion Index	52.9	63.5r	65.6r	62.9r	64.1
Auxillary Diffusion Index	52.2	56.3r	56.9r	41.1r	54.1
Industrial Group	46.3	60.2r	63.5r	58.8r	59.0
Nonindustrial Group	59.5	66.8	67.7	66.9r	69.2
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	50.4	70.1r	75.6r	65.0r	60.3
Labor	46.8	52.9	56.5	53.8	54.5
Miscellaneous	39.1	63.5	62.8	62.2	68.6
Nonindustrial Subgroups					
Prices	64.1	88.5	91.7	86.5	81.4
Consumer	77.4	72.6	71.8	76.5	75.6
Building	40.4	45.5	46.2	50.0r	58.0
Miscellaneous	51.3	60.7	62.0	55.6r	62.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1984		*1985*				*1986*				*1987*	
	Nov.	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*
	Score (scale 0-100)											
Measure of Business Confidence	57	61	52	51	55	61	61	50	51	55	55	59
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	57	62	48	45	53	63	61	44	50	56	55	62
2. Expectations for Economy, Six Months Ahead	57	61	53	53	56	62	62	52	51	54	53	56
3. Expectations for Own Industry, Six Months Ahead	58	61	55	54	56	59	60	54	53	56	56	58

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

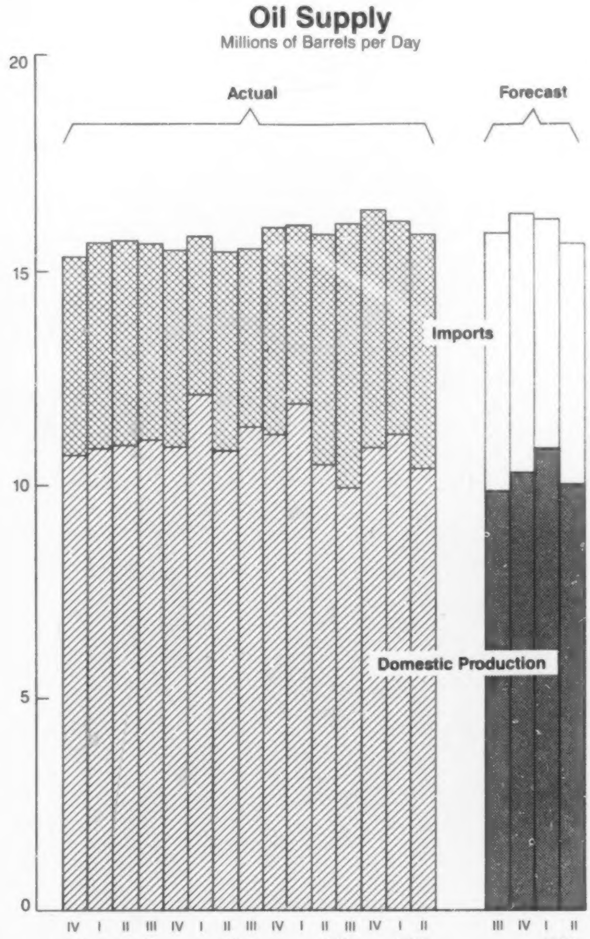
Billions of Dollars, Seasonally Adjusted

	1985	1986			1987		Percent Change From Previous Year	
	IV	I	II	III	Ir	IIp	Actual	Estimate
1000 LARGEST MANUFACTURING FIRMS								
New appropriations	27.190	23.386	19.991	20.203	21.441	26.235	31.2	14.7
Capital expenditures	26.336	23.566	24.309	22.452	20.801	22.897	– 5.8	5.5
Change in appropriations backlog*	–2.594	–2.368	–6.447	–5.060	–0.749	+ 2.702		
Durable Goods								
New appropriations	12.005	11.613	9.578	10.051	9.746	13.232	–38.1	16.1
Capital expenditures	12.676	11.479	11.880	12.186	11.124	11.288	– 5.0	1.2
Change in appropriations backlog*	–3.063	–1.582	–3.824	–3.986	–2.070	+ 1.574		
Nondurable Goods								
New appropriations	15.185	11.773	10.413	10.152	11.695	13.003	24.9	13.4
Capital expenditures	13.660	12.087	12.429	10.266	9.677	11.609	– 6.6	10.3
Change in appropriations backlog*	+ 0.469	–0.786	–2.623	–1.074	+ 1.522	+ 1.108		
ELECTRIC & GAS UTILITIES								
New appropriations	5.093r	8.692r	9.084	5.094	5.044		+ 3	
Capital expenditures	9.078r	8.417r	7.425	8.115	7.839		– 2.0	
Change in appropriations backlog*	–4.984r	–0.261r	+ 1.773	–7.325	–0.028			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

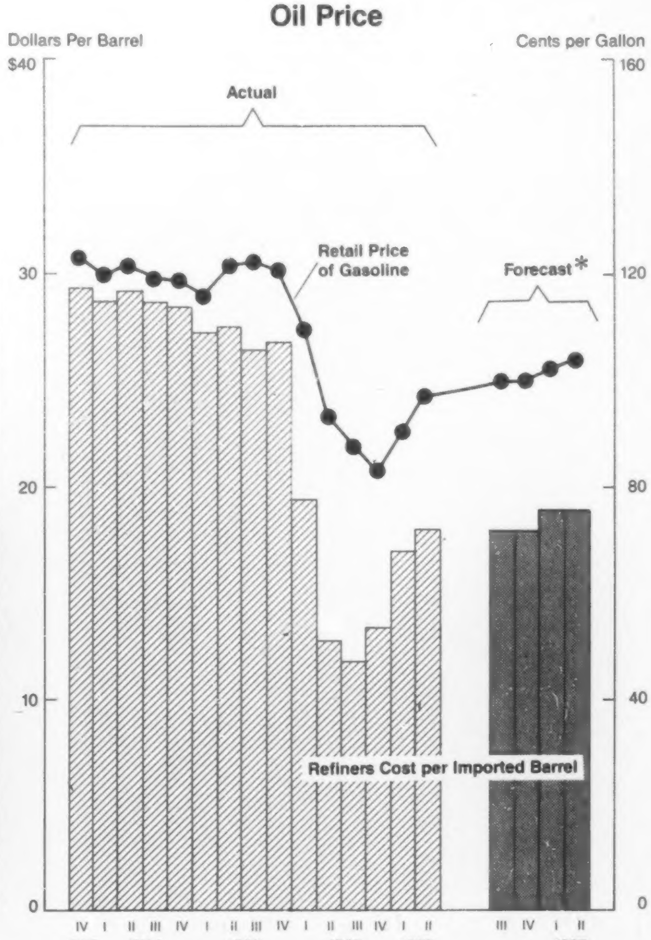
r—revised p—preliminary

* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).



Oil Supply

Millions of Barrels per Day

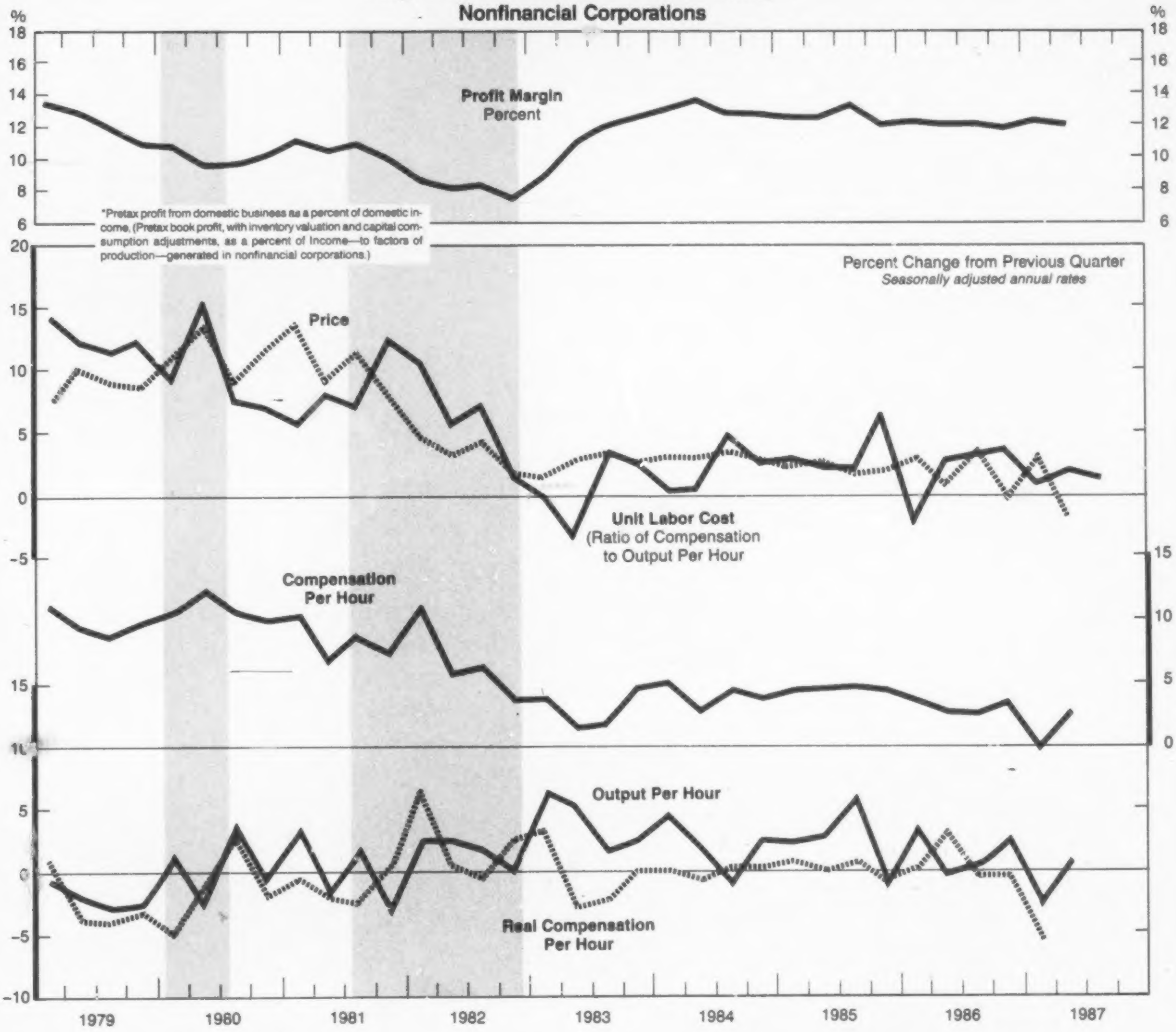


Oil Price

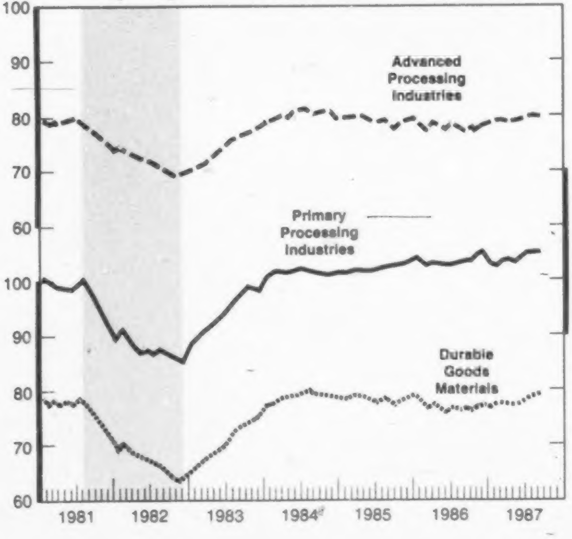
* Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin

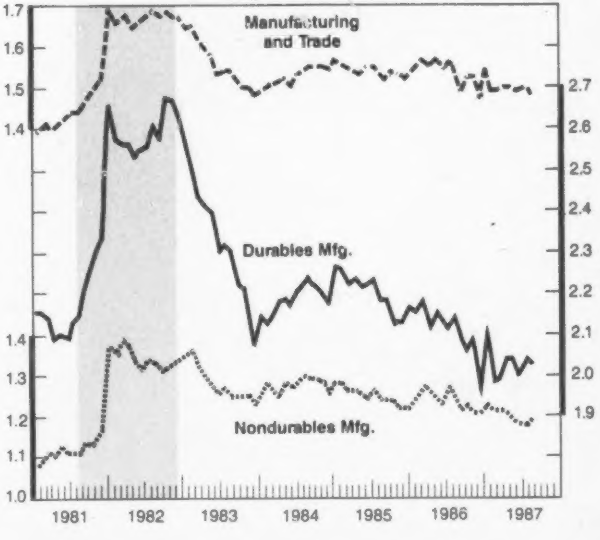
Nonfinancial Corporations



Capacity Utilization Rates Manufacturing



Inventory – Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Oct., 1987*		*Oct., 1987*		*Oct., 1987*		*Oct., 1987*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**III**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**
Forecast		IV	4531.1	1.7	4584.9	6.6	4603.1	8.3	4578.2	6.0
	1988	I	4476.0	-4.8	4618.3	2.9	4653.2	4.4	4629.3	4.5
		II	4496.7	1.9	4688.2	6.2	4713.1	5.2	4688.4	5.2
		III	4544.8	4.3	4765.0	6.7	4762.9	4.3	4754.3	5.7
		IV	4600.3	5.0	4848.3	7.2	4825.5	5.4	4796.1	3.6
	1989	I	4709.3	9.8	4939.9	7.8	4905.8	6.8	4804.1	0.7
		II	4828.1	10.5	4997.5	4.7	4986.8	6.8	4835.4	2.6
		III	4954.6	10.9	5043.6	3.7	5074.8	7.2	4899.2	5.4
		IV	5075.6	10.1	5145.3	8.3	5166.2	7.4	4985.5	7.2
	1987	Annual	4466.5	5.5	4479.9	5.8	4484.5	5.9	4478.3	5.7
	1988	Annual	4529.5	1.4	4730.0	5.6	4738.7	5.7	4717.0	5.3
	1989	Annual	4891.9	8.0	5031.6	6.4	5033.4	6.2	4881.1	3.5
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**III**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**
Forecast		IV	3817.9	-1.4	3861.3	3.2	3852.0	2.2	3852.5	2.2
	1988	I	3740.6	-7.9	3847.2	-1.5	3852.0	0.0	3856.1	0.4
		II	3729.3	-1.2	3860.0	1.3	3860.0	0.8	3871.9	1.6
		III	3743.2	1.5	3875.8	1.6	3866.0	0.6	3893.8	2.3
		IV	3762.0	2.0	3895.1	2.0	3879.0	1.4	3889.9	-0.4
	1989	I	3820.9	6.4	3914.9	2.0	3909.0	3.1	3874.3	-1.6
		II	3885.7	7.0	3906.4	-0.9	3939.0	3.1	3871.4	-0.3
		III	3953.3	7.1	3890.6	-1.6	3974.0	3.6	3894.4	2.4
		IV	4014.2	6.3	3920.3	3.1	4011.0	3.8	3931.8	3.9
	1987	Annual	3804.1	2.4	3815.0	2.7	3812.7	2.7	3812.8	2.7
	1988	Annual	3743.8	-1.6	3869.5	1.4	3864.3	1.4	3877.9	1.7
	1989	Annual	3918.5	4.7	3908.1	1.0	3958.3	2.4	3893.0	0.4
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**III**	**117.8**	**2.2%**	**117.8**	**2.2%**	**117.8**	**2.2%**	**117.8**	**2.2%**
Forecast		IV	118.7	3.1	118.7	3.3	119.5	6.0	118.8	3.7
	1988	I	119.7	3.3	120.0	4.5	120.8	4.4	120.1	4.2
		II	120.6	3.1	121.5	4.8	122.1	4.4	121.1	3.5
		III	121.4	2.8	122.9	5.0	123.2	3.6	122.1	3.4
		IV	122.3	2.9	124.5	5.1	124.4	4.0	123.3	4.0
	1989	I	123.3	3.2	126.2	5.6	125.5	3.6	124.0	2.3
		II	124.3	3.3	127.9	5.7	126.6	3.6	124.9	2.9
		III	125.3	3.5	129.6	5.4	127.7	3.5	125.8	2.9
		IV	126.4	3.6	131.2	5.1	128.8	3.5	126.8	3.2
	1987	Annual	117.4	2.9	117.4	3.0	117.6	3.1	117.4	3.0
	1988	Annual	121.0	3.1	122.2	4.1	122.6	4.3	121.6	3.6
	1989	Annual	124.8	3.2	128.7	5.3	127.2	3.7	125.4	3.1
Unemployment Rate										
Actual	**1987**	**III**		**6.0%**		**6.0%**		**6.0%**		**6.0%**
Forecast		IV		6.2		6.0		6.0		5.8
	1988	I		6.6		6.3		6.2		5.7
		II		7.2		6.4		6.3		5.9
		III		7.7		6.4		6.4		5.7
		IV		8.0		6.4		6.6		6.1
	1989	I		8.0		6.4		6.6		6.3
		II		7.7		6.6		6.5		6.5
		III		7.2		6.7		6.4		6.6
		IV		6.7		6.6		6.3		6.6
	1987	Annual		6.3		6.2		6.2		6.2
	1988	Annual		7.4		6.4		6.4		5.8
	1989	Annual		7.4		6.6		6.5		6.5

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[1] Based on preliminary third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Oct., 1987		*Oct., 1987*		*Oct., 1987*		*Oct., 1987*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4512.0	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**$4512.0**	**6.2%**	**III**	**1987**	**Actual**
4570.0	5.2	4560.6	4.4	4568.8	5.1	4556.5	4.0	IV		Forecast
4589.0	1.7	4587.6	2.4	4616.0	4.2	4613.3	5.1	I	1988	
4632.0	3.8	4624.0	3.2	4663.2	4.2	4694.2	7.2	II		
4693.0	5.4	4689.6	5.8	4719.2	4.9	4770.3	6.6	III		
4765.0	6.3	4759.1	6.1	4789.0	6.0	4843.9	6.3	IV		
4784.0	1.6	4843.0	7.2	4881.0	7.9	4915.3	6.0	I	1989	
4831.0	4.0	4916.3	6.2	4973.8	7.8	4979.2	5.3	II		
4900.0	5.8	5002.1	7.1	5065.5	7.6	5057.1	6.4	III		
4973.0	6.1	5084.4	6.7	5160.8	7.7	5133.7	6.2	IV		
4476.2	5.7	4473.9	5.6	4475.9	5.7	4472.8	5.6	Annual	1987	
4669.8	4.3	4665.1	4.3	4696.9	4.9	4730.4	5.8	Annual	1988	
4872.0	4.3	4961.6	6.4	5020.3	6.9	5021.3	6.1	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3831.2	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**$3831.2**	**3.8%**	**III**	**1987**	**Actual**
3850.2	2.0	3851.8	2.2	3853.0	2.3	3844.4	1.4	IV		Forecast
3840.3	−1.0	3843.3	−0.4	3860.6	0.8	3860.1	1.6	I	1988	
3850.0	1.0	3848.3	0.0	3867.3	0.7	3875.5	1.6	II		
3869.1	2.0	3871.9	2.5	3880.8	1.4	3907.7	3.4	III		
3893.1	2.5	3900.0	2.9	3907.1	2.7	3938.9	3.2	IV		
3873.5	−2.0	3933.1	3.4	3942.4	3.7	3955.6	1.7	I	1989	
3883.1	1.0	3958.2	2.6	3977.4	3.6	3973.7	1.8	II		
3907.1	2.5	3990.3	3.3	4009.8	3.3	3991.6	1.8	III		
3931.3	2.5	4019.2	2.9	4044.9	3.5	4001.6	1.0	IV		
3812.2	2.7	3812.6	2.7	3812.9	2.7	3810.8	2.6	Annual	1987	
3863.1	1.3	3867.1	1.4	3879.0	1.7	3895.6	2.2	Annual	1988	
3898.8	0.9	3975.3	2.8	3993.6	3.0	3980.6	2.2	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
117.8	**3.4%**	**117.8**	**2.2%**	**117.8**	**2.2%**	**117.8**	**2.2%**	**III**	**1987**	**Actual**
118.7	3.2	118.4	2.2	118.6	2.8	118.5	2.6	IV		Forecast
119.5	2.7	119.2	2.8	119.6	3.4	119.5	3.4	I	1988	
120.3	2.8	120.2	3.2	120.6	3.4	121.1	5.5	II		
121.3	3.3	121.1	3.2	121.6	3.4	122.1	3.2	III		
122.4	3.7	122.0	3.0	122.6	3.2	123.0	3.0	IV		
123.5	3.7	123.1	3.7	123.8	4.1	124.3	4.2	I	1989	
124.4	3.0	124.2	3.5	125.1	4.1	125.3	3.4	II		
125.4	3.3	125.4	3.7	127.6	4.1	126.3	4.5	III		
126.5	3.5	126.5	3.7	127.6	4.0	128.3	5.1	IV		
117.4	2.9	117.3	2.9	117.4	2.9	117.4	2.9	Annual	1987	
120.9	3.0	120.6	2.8	121.1	3.2	121.4	3.5	Annual	1988	
125.0	3.4	124.8	3.5	125.7	3.8	126.1	3.9	Annual	1989	
								Unemployment Rate		
	6.0%		**6.0%**		**6.0%**		**6.0%**	**III**	**1987**	**Actual**
	6.0		6.0		6.0		6.0	IV		Forecast
	6.3		6.2		6.0		6.1	I	1988	
	6.5		6.6		6.0		6.2	II		
	6.6		6.7		6.1		6.1	III		
	6.7		6.8		6.2		6.0	IV		
	7.0		6.7		6.1		6.0	I	1989	
	7.1		6.7		6.0		6.2	II		
	7.1		6.6		5.7		6.3	III		
	6.9		6.5		5.7		6.4	IV		
	6.2		6.2		6.2		6.2	Annual	1987	
	6.5		6.6		6.1		6.1	Annual	1988	
	7.0		6.6		5.9		6.2	Annual	1989	

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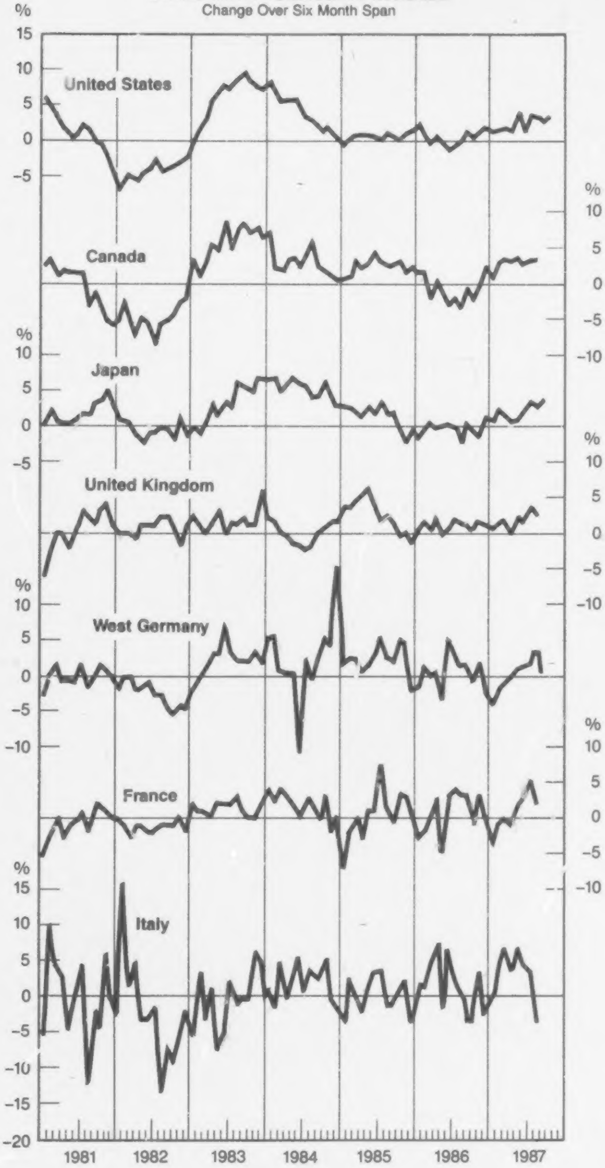
Selected International Comparisons

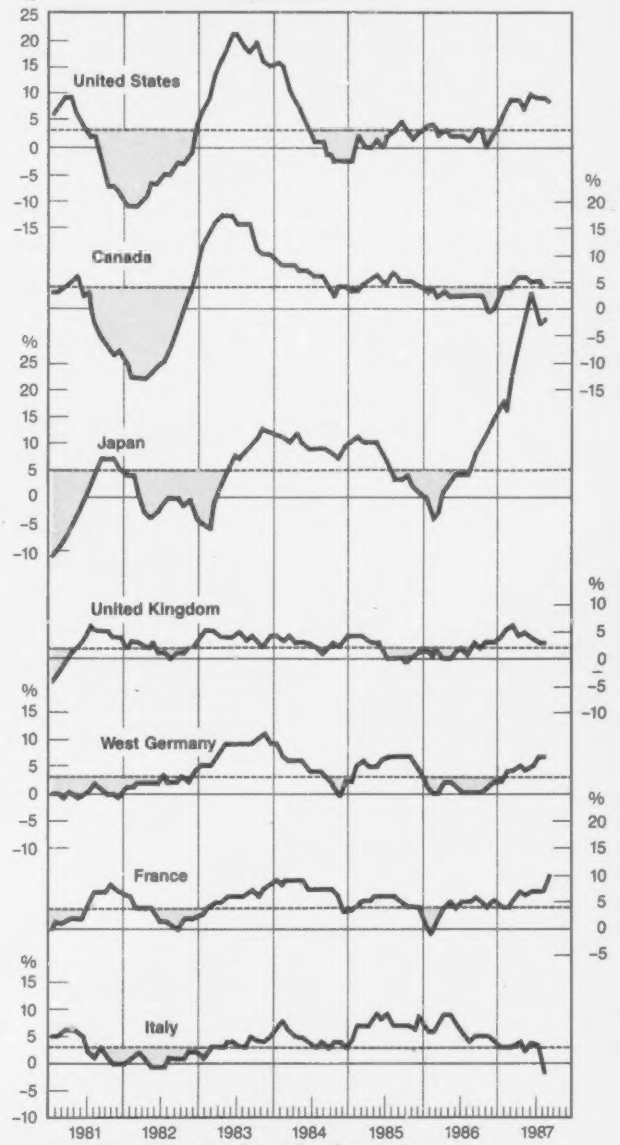
Industrial Production Indexes

Change Over Six Month Span



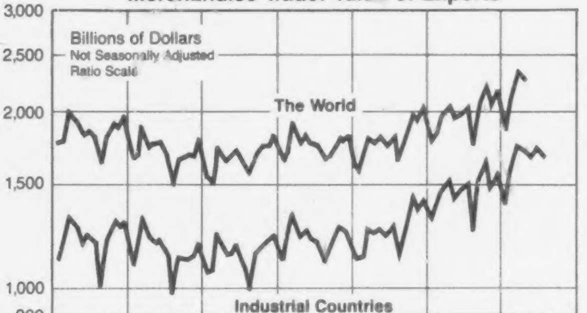
Leading Business Cycle Indexes

Change From Preceding Year

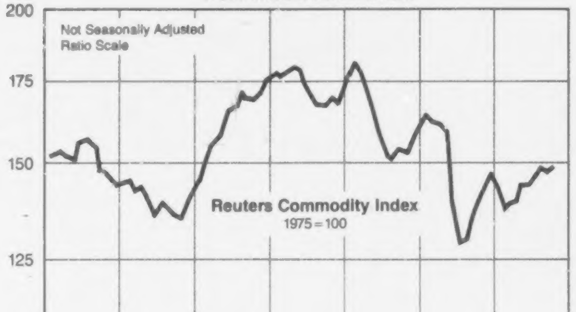


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

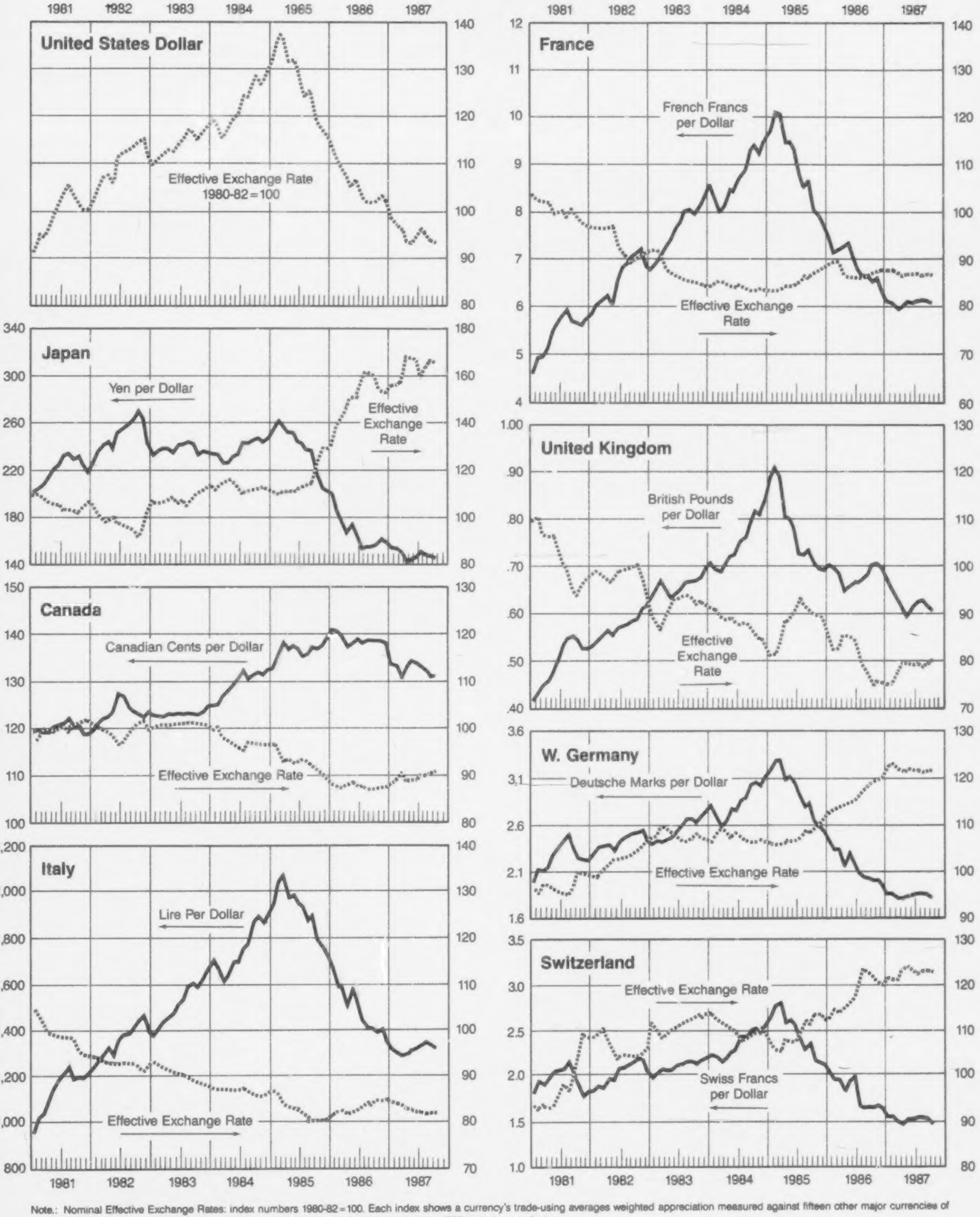


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82=100



Note.: Nominal Effective Exchange Rates: index numbers 1980-82=100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

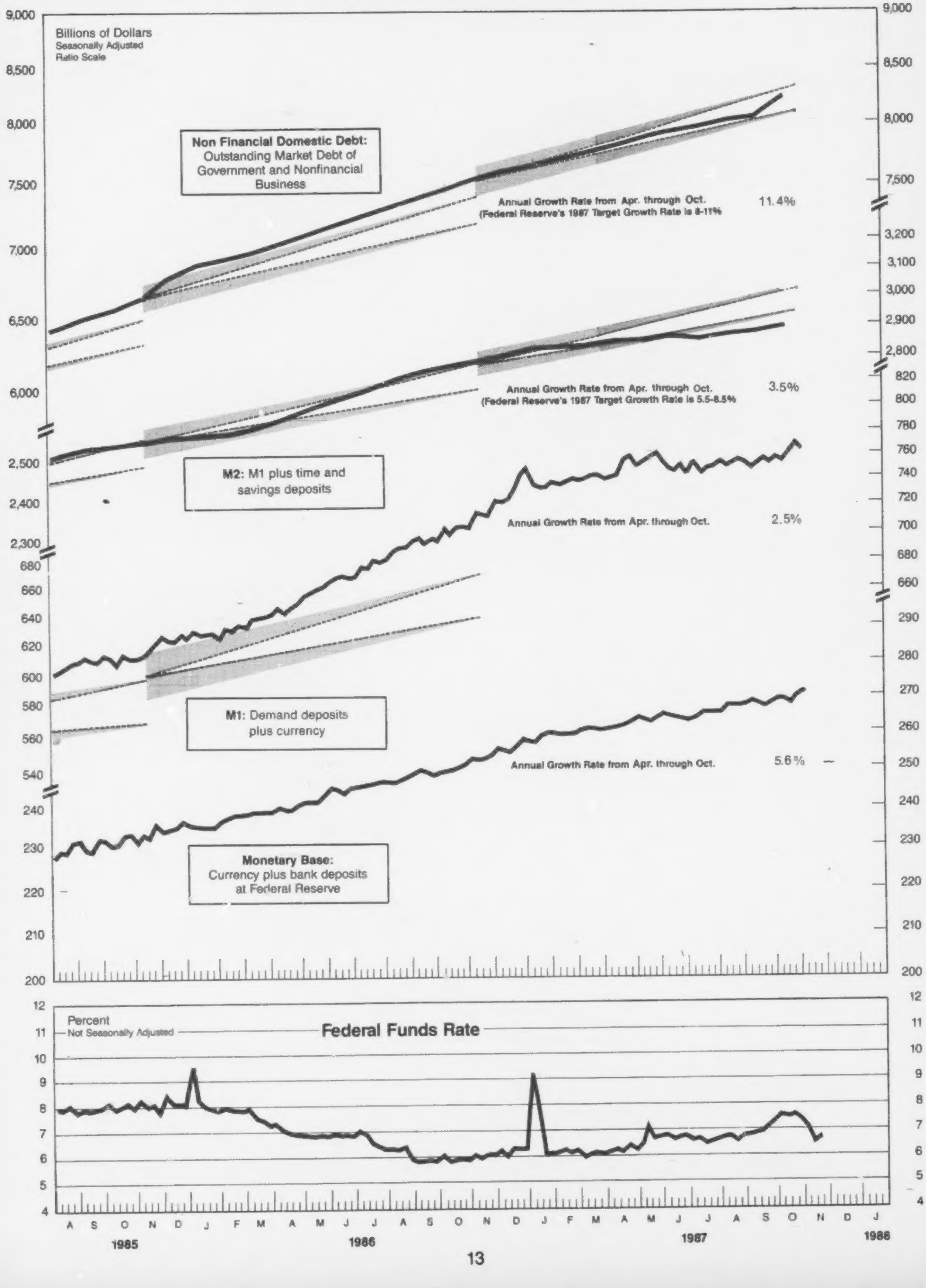
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	$769.1	$858.5	$909.0	$ 918.1
Outlays	989.8	1,016.9	1,032.3	1,055.5
Deficit	−220.7	−158.4	−123.3	−137.4
Receipts by source	$769.1	$858.5	$909.0	$ 918.1
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	$989.2	$1,016.9	$1,032.3	$1,055.5
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	− 0.7
Offsetting receipts	− 33.0	− 37.2	− 45.3	− 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	$4,218	$4,491	$4,830	$4,779
Constant (1982) Dollar	3,681	3,811	3,936	3,898
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets



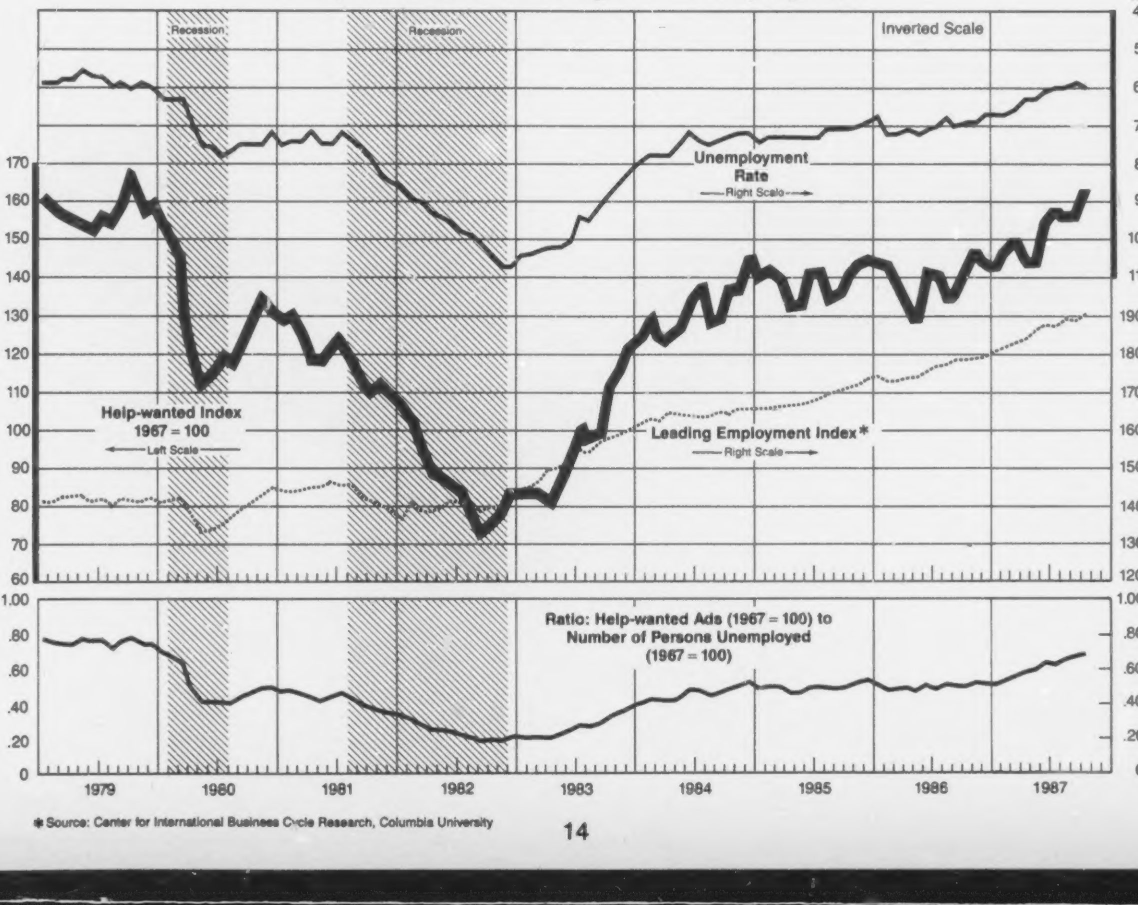
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1987			1986
Locality	Sep.	Aug.	Jul	Sep.
National Index	154	155	158	135
New England	169	172r	186	165
Boston	167	172r	184	170
Hartford	190	186	195	181
Providence	158	161	181	133
Middle Atlantic	91	92	95	80
Albany	288	262	300	182
Allentown	352	372	385	249
New York	68	67	66	68
Philadelphia	76	81	86	68
Pittsburgh	84	95	95	76
Rochester	86	88	94	76
Syracuse	146	152	162	134
East North Central	100	107	105	90
Chicago	115	120	120	101
Cincinnati	143	165	157	136
Cleveland	62	74	75	60
Columbus	171	186	187	157
Dayton	80	86	85	75
Detroit	54	59	57	57
Gary	167	174	150	119
Indianapolis	108	109	114	98
Milwaukee	85	81	83	63
Toledo	129	130	124	113
West North Central	95	96	95	90
Kansas City	135	126	140	147
Minneapolis	90	91	87	75
Omaha	143	165	140	120
St. Louis	62	66	64	62
South Atlantic	208	208r	239	183
Atlanta	272	268	279	252
Baltimore	241	207	345	218
Charlotte	197	204	202	158
Jacksonville	234	248	254	211
Miami	N.A.	156r	151	98
Richmond	150	159	167	124
Washington, D.C.	183	199r	208	173
East South Central	166	173	183	138
Birmingham	169	172	176	141
Knoxville	278	277	263	217
Louisville	84	94	99	75
Memphis	139	154	145	120
Nashville	226	231	284	184
West South Central	167	170	170	146
Dallas	144	147	153	152
Houston	237	252	238	195
New Orleans	106	115	123	93
Oklahoma City	101	111	122	93
San Antonio	127	133	138	137
Tulsa	209	133	139	105
Mountain	308	305	308	272
Denver	201	213	211	169
Phoenix	430	406	407	394
Salt Lake City	343	343	355	298
Pacific	256	245	231	210
Los Angeles	172	171	157	149
Sacramento	464	450	452	383
San Bernadino	N.A.	284r	268r	237
San Diego	618	548	533	468
San Francisco	266	253	239	214
Seattle	252	248	224	215
Percentage of papers with rising volume	33	39r	55r	35
Unemployment rate	5.9	6	6	7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7r	115.1r	96.3p	

Buying Plans Index

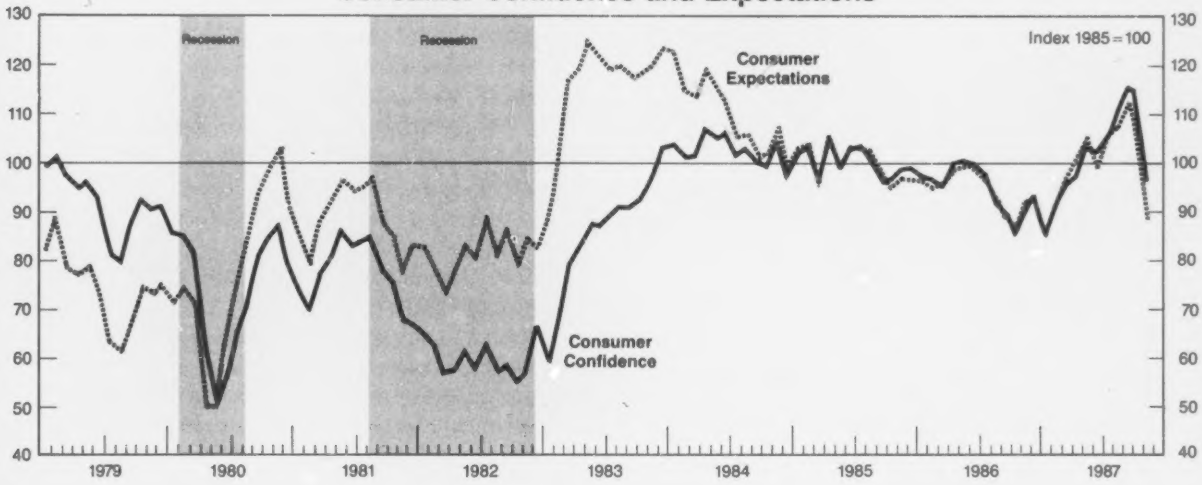
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7r	104.9r	91.6p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations



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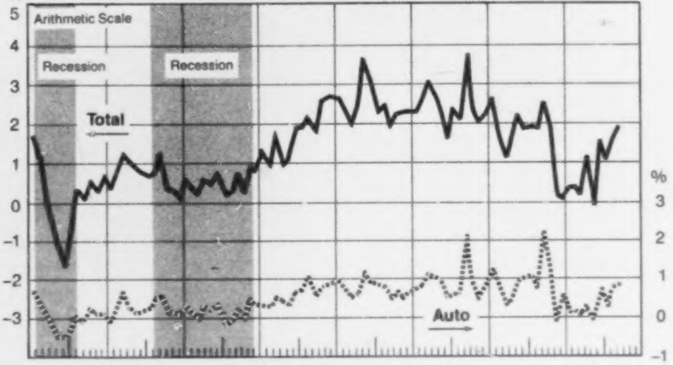
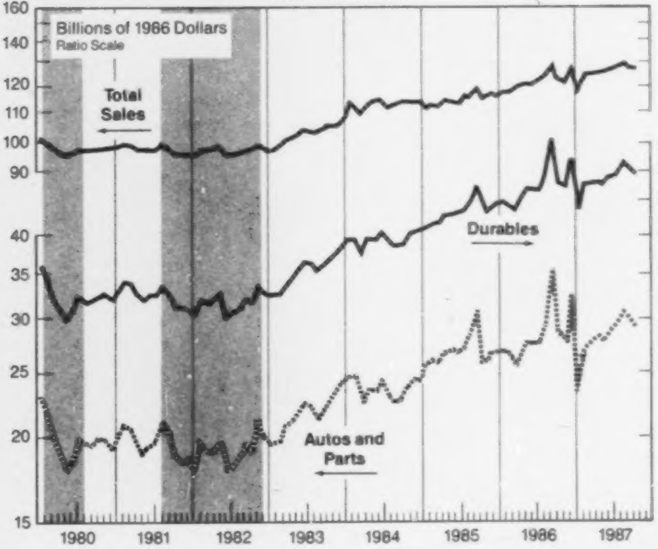
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



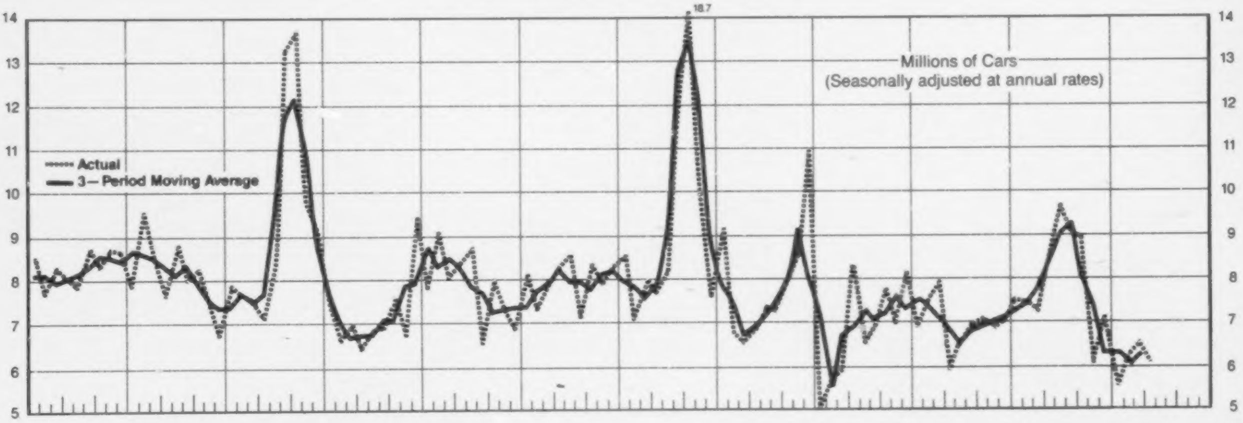
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

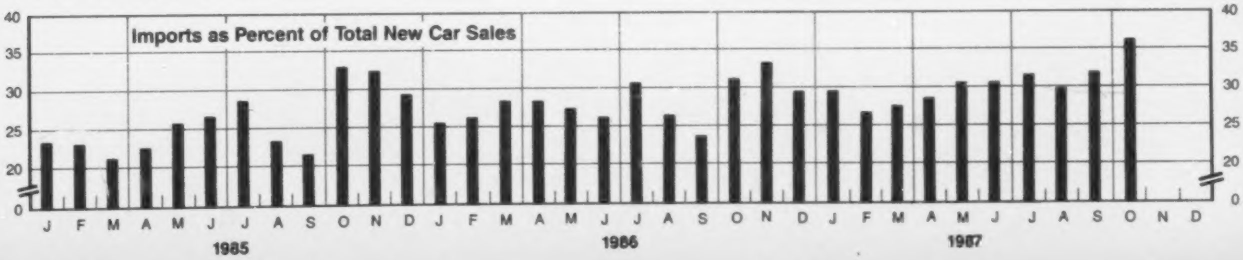
Millions, Seasonally Adjusted at Annual Rate

Periods		1984	1985	1986	1987
January:	1-10	8.16	8.46	7.76	4.78
	11-20	7.84	7.66	9.05	5.71
	21-31	9.15	8.23	8.02	5.95
February:	1-10	7.79	8.01	8.36	8.26
	11-20	9.17	7.84	8.71	6.46
	21-28(29)	7.60	8.69	6.47	6.87
March:	1-10	7.35	8.27	7.93	7.76
	11-20	8.13	8.73	7.23	6.95
	21-31	7.35	8.67	6.81	8.13
April:	1-10	8.88	7.84	8.06	6.85
	11-20	7.96	9.48	7.25	7.52
	21-30	8.60	8.42	7.92	7.89
May:	1-10	8.19	7.60	8.30	5.93
	11-20	7.74	8.78	8.57	6.44
	21-31	8.43	7.96	7.09	6.96
June:	1-10	7.22	8.21	8.27	6.95
	11-20	8.25	7.51	7.84	7.03
	21-30	8.10	6.71	8.30	7.45
July:	1-10	9.51	7.81	8.50	7.42
	11-20	8.32	7.63	7.03	7.29
	21-31	8.59	7.57	7.96	8.53
August:	1-10	7.33	7.09	7.64	9.60
	11-20	8.07	8.30	8.19	9.03
	21-31	7.43	13.23	11.65	8.99
September:	1-10	8.13	13.64	18.67	6.09
	11-20	8.52	9.70	9.87	7.09
	21-30	6.03	9.10	7.58	5.54
October:	1-10	7.83	7.40	9.07	6.22
	11-20	7.07	6.57	6.72	6.48
	21-31	7.70	6.92	6.51	6.08
November:	1-10	6.60	6.40	6.80	
	11-20	8.44	6.81	7.32	
	21-30	6.57	6.91	7.23	
December:	1-10	8.75	7.56	7.95	
	11-20	7.96	6.69	8.54	
	21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales





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STATISTICAL BULLETIN

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Statistical Reference Index
Acquisitions
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Highlights

- CONSUMER DEMAND APPEARS TO BE WEAKENING
- WHILE HOME BUYING REMAINS FLAT
- AND CONSUMER CONFIDENCE IS DECLINING
- INVESTMENT MAY ALSO BE WEAKENING
- BUT INDUSTRIAL OUTPUT IS STILL EXPANDING
- AS ARE NEW ORDERS FOR DURABLE GOODS
- YET LABOR DEMAND APPEARS TO BE SOFTENING
- OUTLOOK • SLOWER GROWTH IN 1988 BUT NO RECESSION

Volume 20, No. 12, December, 1987.

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: After sharply lower projections in October, estimates of how far the U.S. growth rate would fall next year were trimmed in November. Overall, the new consensus of the **Economic Forecasts** is for a quite sluggish 1.1% rise in real GNP from the fourth quarter of 1987 to the fourth quarter of 1988. This compares unfavorably with the moderate 2.4% growth rate forecast prior to the October crash.

There are already signs that both consumers and businesses were shaken by the financial market turmoil. Moreover, data now available suggest that expansion of both consumer spending and business investment may have already been slowing in the United States as the world's stock markets began to convulse.

Slower economic growth in 1988 may result in some rise in unemployment but that would help break the momentum that was building for a rise in inflation. Slower spending might also check imports and thus contribute to an easing of the trade deficit.

DOMESTIC MARKET MONITOR

In one sense, November's labor market report was a replay of October's: Jobs rose in both goods and service production; total hours worked increased; and labor-force participation and hourly pay rates picked up. Indeed, the degree and breath of improvement was somewhat surprising: Jobs in financial services actually rose despite market turmoil; construction jobs were also up despite persistent weakness in both residential and nonresidential building.

There are signs, however, that labor market conditions are beginning to weaken. Revised data on job advertising indicate that labor demand may be falling. In October, The Conference Board's **Help-wanted Index** reached 163 (1967=100), 5.8% higher than three months earlier. But early returns to the November survey suggest that want-ad volume fell sharply that month. Moreover, the consensus of the **Economic Forecasts** shows the unemployment rate rising in the first quarter of 1988, perhaps reaching 6.4% by the fourth quarter of next year.

INCOME: The rise in hourly pay rates continues to be fairly strong. The average rate in private industry was $9.12 in November, ten cents above the rate of only two months earlier.

The hikes in hourly pay, together with more workers hired and a longer workweek, have resulted in strong income gains. Wages in commodity-producing industry were 2.1% higher in October than three months earlier. Wages in other industries rose by a comparable amount. Nonwage-income growth has been even more robust—3.7% higher in October than three months earlier.

After remaining unusually slow in the late Spring and over the Summer, the rise in consumer borrowing picked up in September and October. That is reflected in the modest uptick in the ratio of **Consumer Installment Debt Expansion to Personal Income**. Nevertheless, the data suggest that consumers are still cautious about incurring new debt.

Consumer attitudes were expected to drop if labor markets weakened. Indeed, job advertising appears to have declined in November. But, in advance of that news, The Conference Board's **Consumer Confidence Index** dropped to 96.3 (1985=100) in November, from 115.1 in October.

SPENDING: Even before consumer confidence faltered, the rise in consumer spending wasn't very strong, despite favorable wage gains. Retail sales, except cars, were only 0.7% higher in October than three months earlier. And with confidence waning, further softening in consumer demand seems inevitable.

The lackluster pace of domestic **Automobile Sales** in October continued in November. Sales of foreign cars were a little better. These data, together with a loss of consumer confidence, suggest that household buying is turning cautious in the wake of financial market turmoil.

CONSTRUCTION: While the demand for cars and other consumer goods is beginning to soften, home buying has been weak for some time. New single-family home sales were no higher in September than last Spring. Mortgage rates have declined but the median price of new homes was 3% higher in September than three months ago. Although the drop in sales seems to have ended, the inventory of unsold homes has not declined despite building cutbacks. Moreover, single-unit housing starts were 3.5% lower in October than three months earlier, suggesting that builders do not anticipate a sales recovery.

The best that can be said of nonresidential construction is that it is no longer declining. Factory and office building has improved modestly while commercial building continues to slide. Public building remains flat, though work on roads and sewers has been accelerated.

PRODUCTION: Despite the meager rise in consumer buying, industrial output gains remain rather vigorous. Total industrial production rose by 0.6% in October. The output of consumer goods was 1.2% higher; consumer durables rose by 3.4 percent. Finally, the rise in employment and hours worked in November suggest that total industrial production was probably up again.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published
monthly by The Conference Board Inc. 845 Third Avenue,
New York, N.Y. 10022. Printed in New York, N.Y. Second-
class postage paid at New York, N.Y.

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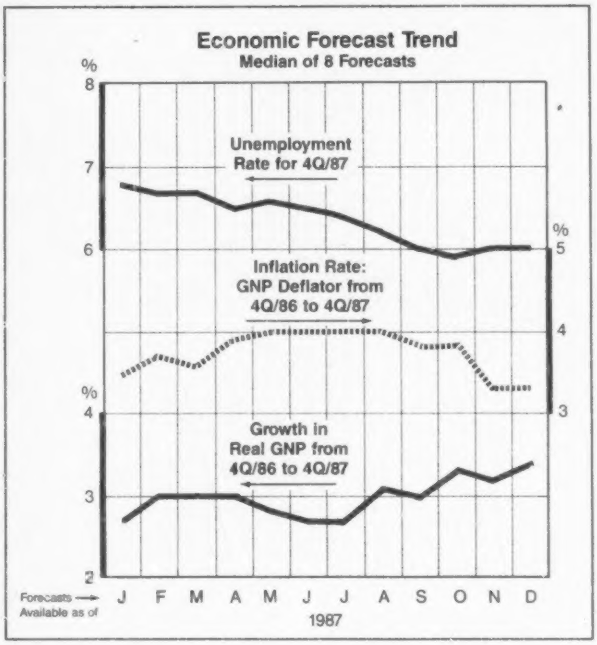


Output is rising sharply because the rise in new orders remains strong, and old orders are being filled significantly faster than new orders are coming in. New orders for durable goods, except defense related, were 1.7% higher in October than three months earlier but shipments were 5.2% higher.

INVENTORY: As manufacturers are filling old orders faster than new orders come in, and consumer demand seems to be eroding, some of the rise in output is helping to rebuild inventory. Total inventory, except cars at the retail level, was 1.5% higher in September than three months earlier. Nevertheless, the Inventory-to-Sales ratio remained unchanged through that month. If total demand begins to slip, unintended inventory accumulation could develop unless output gains are quickly scaled back.

Flagging consumer demand isn't the only concern. The Conference Board's survey on **Capital Appropriations and Expenditures** indicates that the nation's 1,000 largest manufacturers did not increase investment in plant and equipment in the third quarter of 1987. In addition, approvals of new spending plans were pared. Moreover, partial returns to The Conference Board's survey on **Business Sentiment** indicates some drop in business executives' confidence in the third quarter.

INFLATION: The spurt in commodity prices has ended. The overall index was flat in October and fell by 1.1% in November. Farm prices, which were basically flat from July through October, advanced marginally in November.

Prices at the wholesale level have been flat to declining. In November, raw food prices fell for the sixth straight month; raw energy prices fell for the eight month. Prices of finished goods were basically unchanged in three of the last four months. The Consensus of the **Economic Forecasts** is that consumer prices are rising at a 4% annual rate in the fourth quarter of 1987 and may accelerate to about 4.5% by the fourth quarter of 1988.

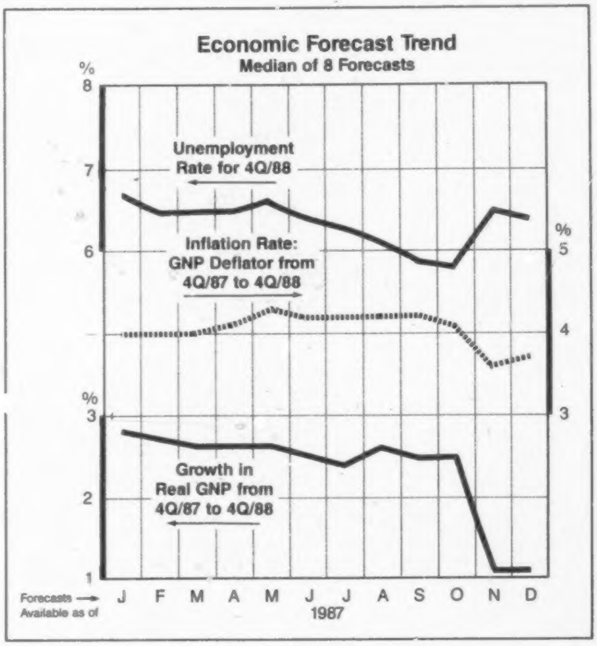
INTERNATIONAL MONITOR

After some declines in August and September, total imports surged in October. Altogether, imports were 5.1% higher in October than three months earlier. Imports of manufactured goods were 5.7% higher. Predictably, the report on an import surge sent financial markets reeling once again.

The bad news on imports deflected attention from the strong showing on the export side. Altogether, total exports were 3.5% higher in October than three months earlier. Exports of manufactured goods were 4% higher.

Import prices rose a little faster than U.S. consumer prices in the third quarter. Conversely, export prices increased a bit slower than prices on products made and sold domestically. With the dollar continuing to depreciate in the fourth quarter, these data suggest that U.S. products are recovering some price advantage at home and becoming more price competitive abroad. Moreover, the **Economic Forecasts** continue to reflect a slower growth rate for the United States next year. If the U.S. economy is growing more slowly than that of its major competitors, the overall trade balance may benefit.

Ken Goldstein
December 9, 1987

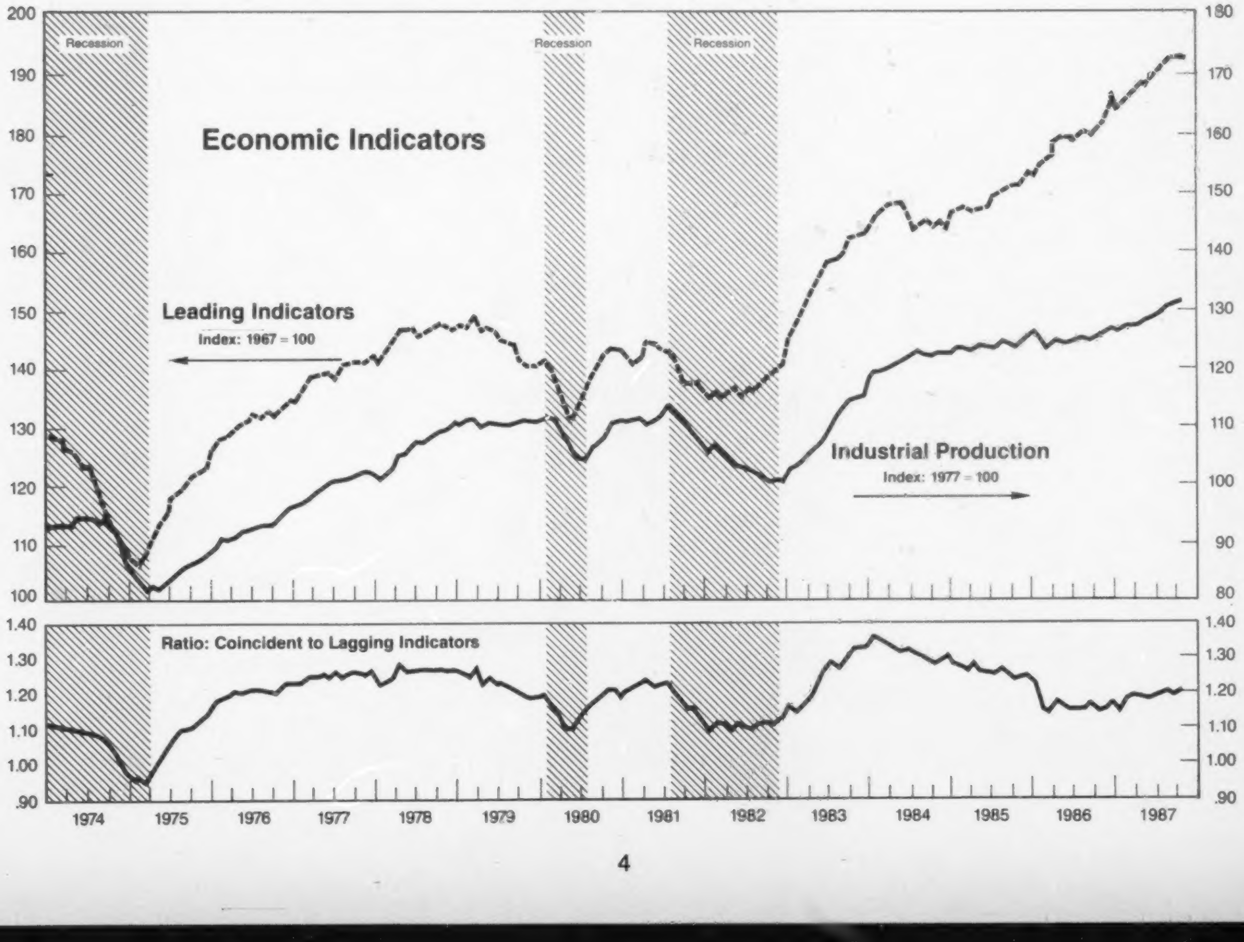


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Oct.		X		0.42%	6.18%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Oct.		X		– 4.3%	12.0%
New orders, nondefense capital goods (deflated)	Oct.		X		– 4.5%	12.9%
*New business formation	Oct.			X	0.8%	0.4%
*Housing permits	Oct.			X	– 1.6%	–12.1%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Oct.		X		1.1%	4.9%
*Change in inventory, on hand & order (deflated)	Sep.			X	–22.0%	17.2%
Purchasing agents' buying policy	Nov.	X			4.0%	8.0%
*Vendor performance, reported slower deliveries	Oct.	X			8.0%	16.0%
Industrial raw materials prices	Nov.		X		1.3%	19.8%
*Change in sensitive material prices	Oct.		X		– 0.3%	1.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Oct.		X		0.6%	0.4%
Change in business loans	Oct.	X			77.8%	11.1%
*Change in credit outstanding	Sep.		X		3.6%	5.3%
Change in consumer installment debt	Sep.	X			18.2%	–18.6%
Profitability						
Total corporate profits, after tax (deflated)	3rd.Q	X			3.6%	4.4%
*Common stock prices	Nov.			X	–25.6%	0.0%
Marginal Employment Adjustments						
*Average workweek, mfg.	Oct.		X		0.0hr	0.3hr
*Initial unemployment claims (inverted)	Oct.	X			13.1%	17.2%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



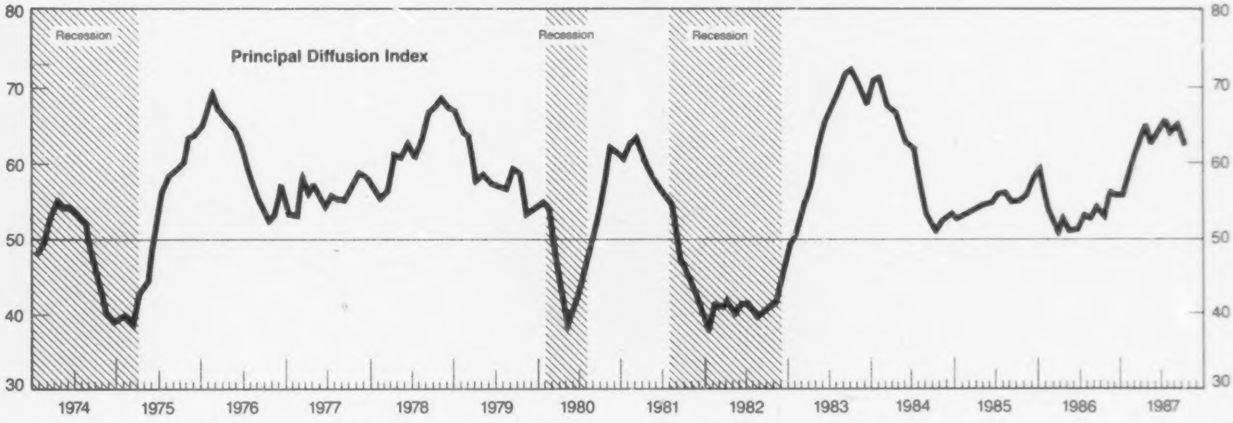
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986 Oct.	1987 Jul	 Aug.	 Sep.	 Oct.(e)
Principal Diffusion Index	52.4	65.3r	64.0r	65.1r	62.5
Auxillary Diffusion Index	48.4	54.0r	45.9r	53.4r	41.7
Industrial Group	48.2	62.0r	62.1r	62.0r	60.2
Nonindustrial Group	56.7	68.6r	66.0r	68.2r	64.9
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	52.1	70.5r	75.6r	65.0r	59.8
Labor	51.8	56.5	53.8	57.6r	57.8
Miscellaneous	33.3	62.8	62.2	68.6	66.7
Nonindustrial Subgroups					
Prices	61.5	91.7	86.5	81.4	76.3
Consumer	71.4	71.8	76.5	75.6	70.1
Building	34.0	46.2	46.2r	54.5r	46.8
Miscellaneous	53.8	65.0r	55.1r	61.1r	64.1

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate   r-revised

The Conference Board Diffusion Index



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

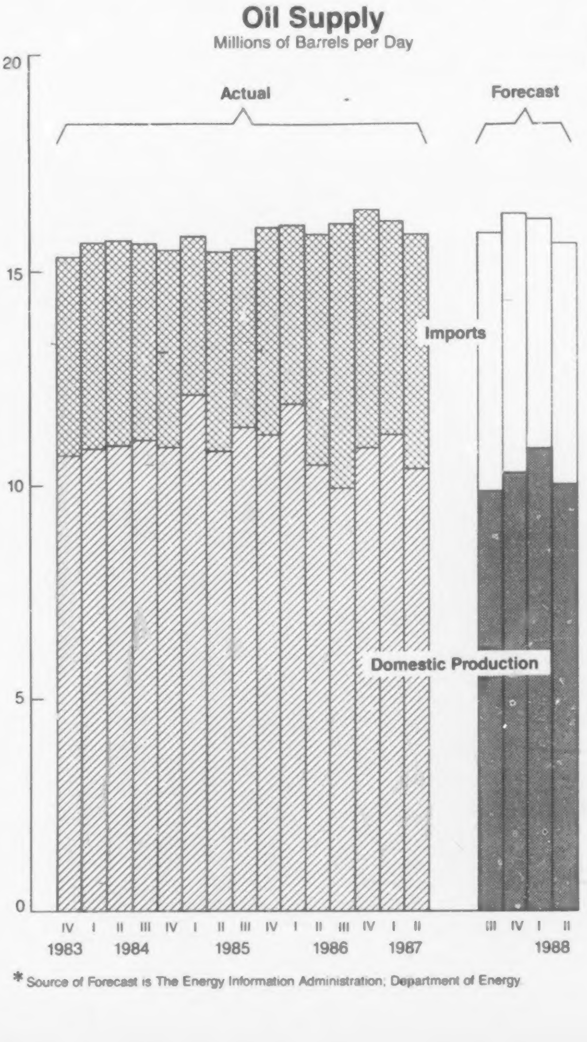
Billions of Dollars, Seasonally Adjusted

	1986					
	II	III	IVr	Ir	IIr	IIIp
1000 LARGEST MANUFACTURING FIRMS						
New appropriations	19.991	20.203	22.097	21.441	32.257	30.872
Capital expenditures	24.309	22.452	23.299	20.801	25.933	25.817
Change in appropriations backlog*	−6.447	−5.060	−10.990	−0.550	+5.460	+2.770
Durable Goods						
New appropriations	9.578	10.051	10.807	9.746	16.515	16.496
Capital expenditures	11.880	12.186	12.915	11.124	14.006	13.948
Change in appropriations backlog*	−3.824	−3.986	−4.140	−2.070	+2.310	+1.930
Nondurable Goods						
New appropriations	10.413	10.152	11.290	11.695	15.742	14.376
Capital expenditures	12.429	10.266	10.384	9.677	11.927	11.869
Change in appropriations backlog*	−2.623	−1.074	−6.850	+1.520	+3.160	+0.840
ELECTRIC & GAS UTILITIES						
New appropriations	5.544	5.530	5.491	6.513	5.627	
Capital expenditures	7.702	7.535	5.080	7.649	7.059	
Change in appropriations backlog*	−3.840	−2.105	−1.005	−0.820	−1.700	

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

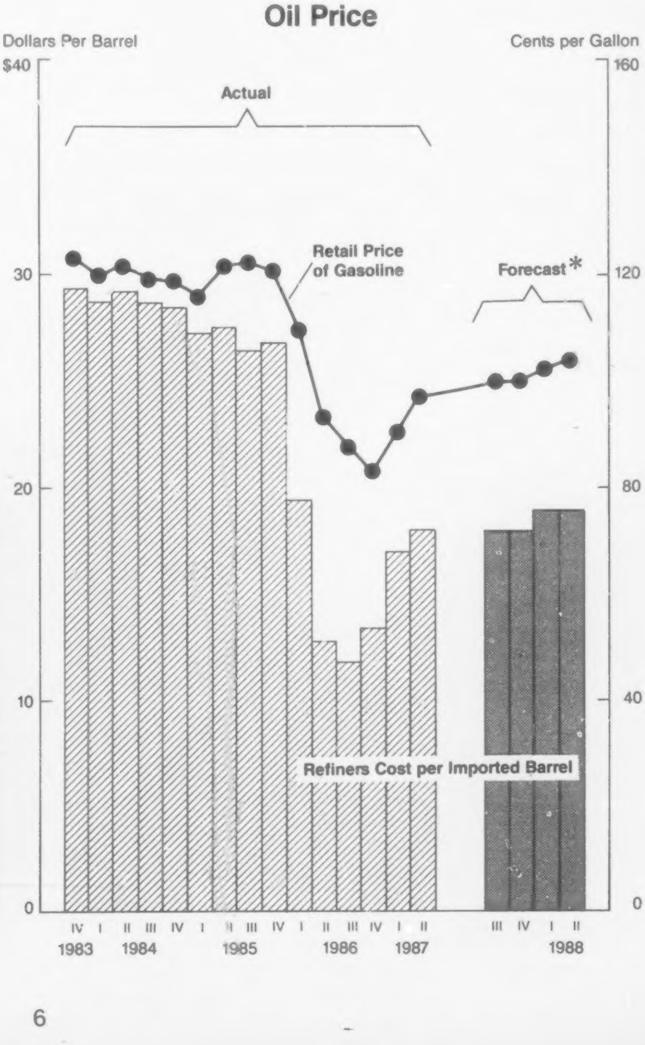
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).



Oil Supply

Millions of Barrels per Day

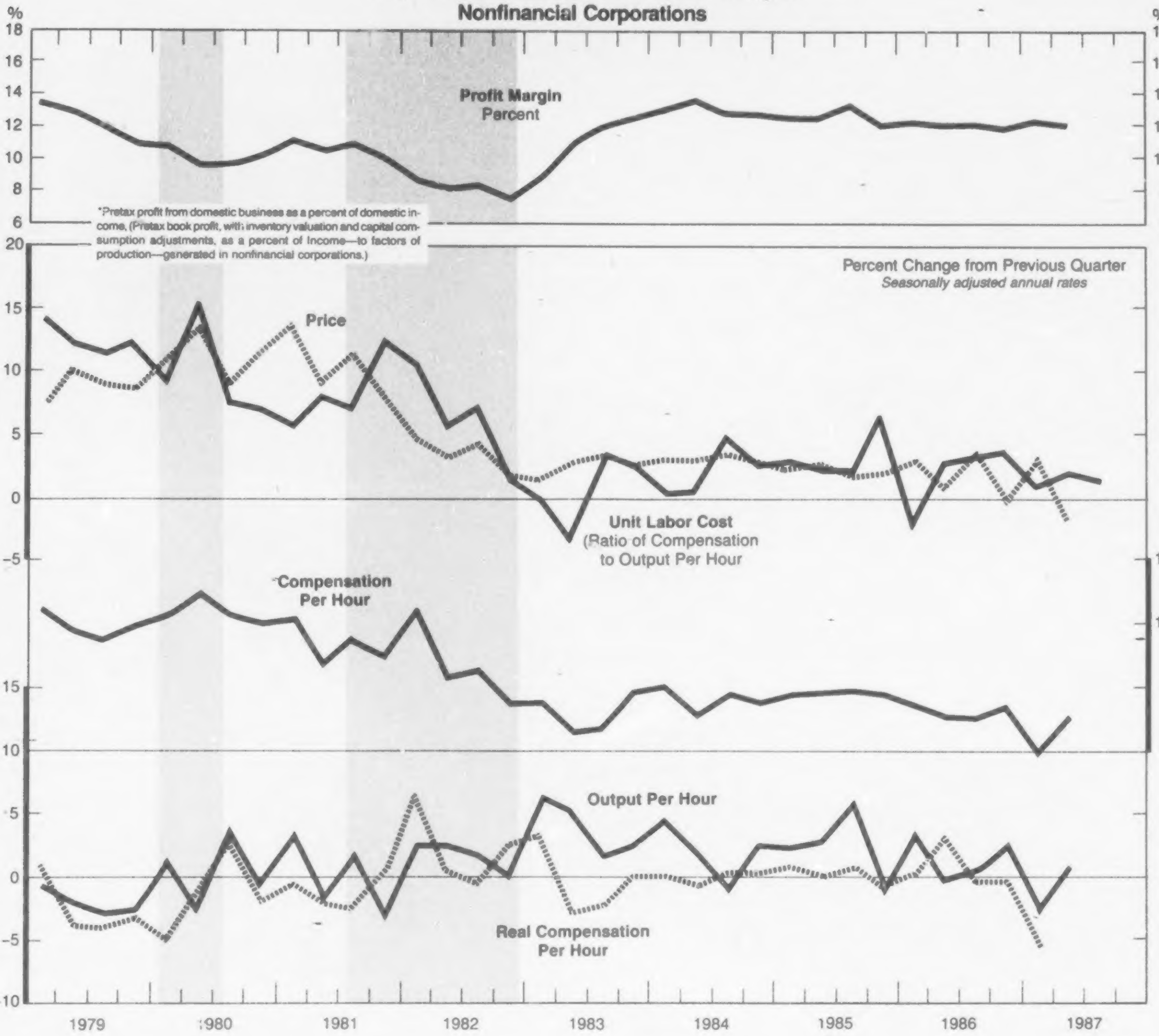


Oil Price

* Source of Forecast is The Energy Information Administration; Department of Energy.

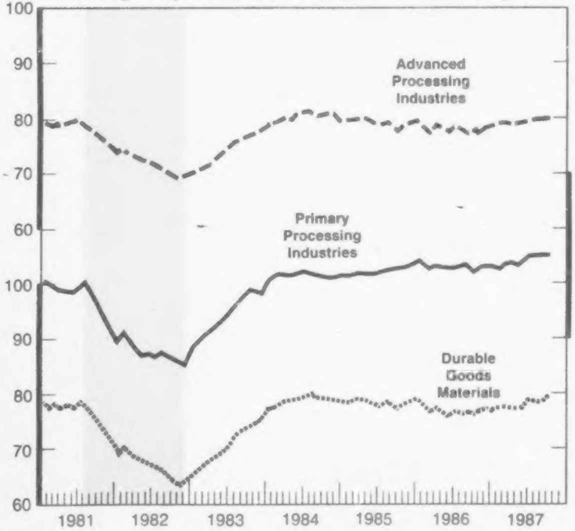
Key Determinants of Profit Margin

Nonfinancial Corporations

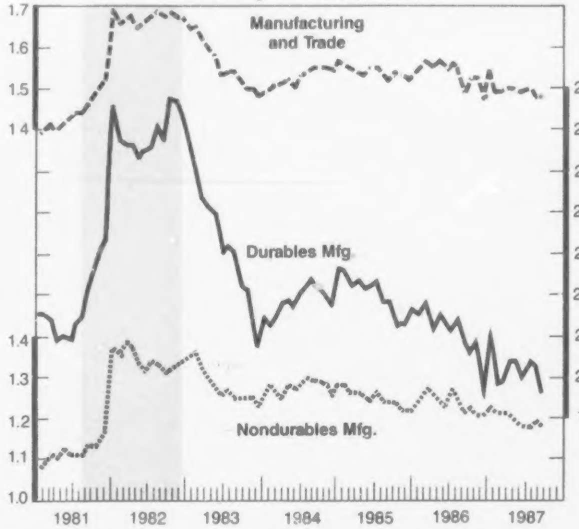


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory – Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*Nov., 1987*		*Nov., 1987*		*Nov., 1987*		*Nov., 1987*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**III**	**$4520.5**	**7.0%**	**$4520.5**	**7.0%**	**$4520.5**	**7.0%**	**$4520.5**	**7.0%**
Forecast		IV	4555.7	3.2	4589.1	6.2	4585.1	5.8	4593.0	6.6
	1988	I	4520.6	–3.0	4617.1	2.5	4637.3	4.6	4643.0	4.4
		II	4519.5	–0.1	4684.4	6.0	4687.0	4.4	4696.0	4.6
		III	4582.9	5.7	4764.3	7.0	4740.6	4.7	4749.0	4.6
		IV	4632.9	4.4	4847.7	7.2	4801.9	5.3	4788.0	3.3
	1989	I	4733.4	9.0	4939.5	7.8	4884.7	7.1	4828.0	3.4
		II	4841.5	9.5	4998.6	4.9	4969.4	7.1	4912.0	7.1
		III	4963.6	10.5	5046.7	3.9	5058.7	7.4	5016.0	8.7
		IV	5086.0	10.2	5152.9	8.7	5154.0	7.8	5123.0	8.8
	1987	Annual	4474.8	5.7	4483.1	5.9	4482.1	5.8	4484.1	5.9
	1988	Annual	4564.0	2.0	4728.4	5.5	4716.7	5.2	4719.0	5.2
	1989	Annual	4906.1	7.5	5034.4	6.5	5016.7	6.4	4969.8	5.3
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**III**	**$3833.4**	**3.8%**	**$3833.4**	**3.8%**	**$3833.4**	**3.8%**	**$3833.4**	**3.8%**
Forecast		IV	3840.1	0.7	3863.7	3.2	3853.0	2.1	3858.0	2.6
	1988	I	3778.0	–6.3	3847.9	–1.6	3858.0	0.5	3868.0	1.0
		II	3754.0	–2.5	3861.8	1.5	3864.0	0.6	3880.0	1.2
		III	3781.1	2.9	3881.9	2.1	3873.0	0.9	3885.0	0.5
		IV	3797.3	1.7	3901.5	2.0	3885.0	1.2	3879.0	–0.6
	1989	I	3846.8	5.3	3920.2	1.9	3914.0	3.0	3872.0	-0.7
		II	3903.0	6.0	3914.1	–0.6	3944.0	3.1	3895.0	2.4
		III	3967.2	6.7	3898.8	–1.6	3977.0	3.4	3940.0	4.7
		IV	4030.3	6.5	3928.3	3.1	4014.0	3.8	3984.0	4.5
	1987	Annual	3810.2	2.6	3816.1	2.8	3813.7	2.7	3814.7	2.7
	1988	Annual	3777.6	–0.9	3873.3	1.5	3870.0	1.5	3878.0	1.7
	1989	Annual	3936.8	4.2	3915.4	1.1	3962.3	2.4	3922.8	1.2
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**III**	**117.9**	**2.2%**	**117.9**	**2.2%**	**117.9**	**2.2%**	**117.9**	**2.2%**
Forecast		IV	118.6	2.4	118.8	2.9	119.0	3.7	119.1	3.9
	1988	I	119.7	3.6	120.0	4.2	120.2	4.1	120.0	3.4
		II	120.4	2.3	121.3	4.4	121.3	3.7	121.0	3.4
		III	121.2	2.7	122.7	4.8	122.4	3.7	122.2	4.1
		IV	122.0	2.7	124.3	5.1	123.6	4.0	123.4	4.0
	1989	I	123.0	3.5	126.0	5.8	124.8	3.9	124.7	4.1
		II	124.0	3.3	127.7	5.5	126.0	3.9	126.1	4.6
		III	125.1	3.5	129.4	5.5	127.2	3.9	127.3	3.9
		IV	126.2	3.5	131.2	5.5	128.4	3.8	128.6	4.1
	1987	Annual	117.4	3.0	117.5	3.0	117.5	3.0	117.5	3.1
	1988	Annual	120.8	2.9	122.1	3.9	121.9	3.7	121.7	3.5
	1989	Annual	124.6	3.1	128.6	5.3	126.6	3.9	126.7	4.1
Unemployment Rate										
Actual	**1987**	**III**		**6.0%**		**6.0%**		**6.0%**		**6.0%**
Forecast		IV		6.1		5.9		6.0		6.0
	1988	I		6.5		6.3		6.2		6.0
		II		7.0		6.4		6.3		6.2
		III		7.3		6.4		6.4		6.2
		IV		7.5		6.3		6.6		6.3
	1989	I		7.3		6.4		6.6		6.4
		II		7.0		6.6		6.5		6.3
		III		6.6		6.7		6.4		6.2
		IV		6.1		6.6		6.3		6.1
	1987	Annual		6.2		6.2		6.2		6.2
	1988	Annual		7.1		6.4		6.4		6.2
	1989	Annual		6.7		6.6		6.5		6.2

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[1] Based on preliminary third quarter data.
[2] Based on revised third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[2]		Laurence H. Meyer Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
Nov., 1987		*Nov., 1987*		*Nov., 1987*		*Nov., 1987*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4512.0	**7.0%**	**$4520.5**	**7.0%**	**$4520.5**	**7.0%**	**$4520.0**	**7.0%**	**III**	**1987**	**Actual**
4570.0	5.2	4582.9	5.6	4577.1	5.1	4576.6	5.1	IV		Forecast
4589.0	1.7	4623.8	3.6	4616.5	3.5	4644.2	6.0	I	1988	
4632.0	3.8	4680.0	5.0	4661.0	3.9	4708.3	5.6	II		
4693.0	5.4	4764.5	7.4	4725.4	5.6	4790.5	7.2	III		
4765.0	6.3	4846.2	7.0	4796.9	6.2	4868.2	6.6	IV		
4784.0	1.6	4844.9	8.4	4895.2	8.5	4954.5	7.3	I	1989	
4831.0	4.0	5032.2	7.3	4991.6	8.1	5027.1	6.0	II		
4900.0	5.8	5131.3	8.1	5088.4	8.0	5102.9	6.2	III		
4973.0	6.1	5221.3	7.2	5187.6	8.0	5172.6	5.6	IV		
4476.2	5.7	4481.6	5.8	4480.1	5.8	4480.0	5.8	Annual	1987	
4669.8	4.3	4728.6	5.5	4700.0	4.9	4752.8	6.1	Annual	1988	
4872.0	4.3	5082.4	7.5	5040.8	7.3	5064.3	6.6	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3831.2	**3.8%**	**$3833.4**	**3.8%**	**$3833.4**	**3.8%**	**$3833.4**	**3.8%**	**III**	**1987**	**Actual**
3850.2	2.0	3857.9	2.6	3858.2	2.6	3857.1	2.5	IV		Forecast
3840.3	-1.0	3860.1	0.2	3863.0	0.5	3868.6	1.2	I	1988	
3850.0	1.0	3871.8	1.2	3867.2	0.4	3886.1	1.8	II		
3869.1	2.0	3903.4	3.3	3885.9	1.9	3912.1	2.7	III		
3893.1	2.5	3931.7	2.9	3913.2	2.8	3938.3	2.7	IV		
3873.5	-2.0	3966.8	3.6	3955.3	4.4	3968.3	3.1	I	1989	
3883.1	1.0	3933.7	2.7	3993.8	4.0	3988.7	2.1	II		
3907.1	2.5	4026.9	3.4	4029.8	3.7	4007.8	1.9	III		
3931.3	2.5	4052.4	2.6	4067.4	3.8	4020.5	1.3	IV		
3812.2	2.7	3814.7	2.7	3814.8	2.7	3814.5	2.7	Annual	1987	
3863.1	1.3	3891.8	2.0	3882.3	1.8	3901.3	2.3	Annual	1988	
3898.8	0.9	4010.0	3.0	4011.6	3.3	3996.3	2.4	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
117.8	**3.4%**	**117.9**	**2.2%**	**117.9**	**2.2%**	**117.9**	**2.2%**	**III**	**1987**	**Actual**
118.7	3.2	118.8	3.0	118.6	2.4	118.7	2.5	IV		Forecast
119.5	2.7	119.8	3.4	119.5	3.0	120.0	4.8	I	1988	
120.3	2.8	120.9	3.7	120.5	3.5	121.2	3.7	II		
121.3	3.3	121.1	4.0	121.6	3.6	122.5	4.3	III		
122.4	3.7	123.3	4.0	122.6	3.3	123.6	3.8	IV		
123.5	3.7	124.7	4.6	123.8	3.9	124.9	4.1	I	1989	
124.4	3.0	126.0	4.4	125.0	4.0	126.0	3.8	II		
125.4	3.3	127.4	4.6	126.3	4.2	127.3	4.2	III		
126.5	3.5	128.8	4.5	127.5	4.1	128.7	4.2	IV		
117.4	2.9	117.5	3.0	117.4	3.0	117.4	3.0	Annual	1987	
120.9	3.0	121.5	3.4	121.1	3.1	121.8	3.7	Annual	1988	
125.0	3.4	126.7	4.3	125.6	3.8	126.7	4.0	Annual	1989	
								Unemployment Rate		
	6.0%		**6.0%**		**6.0%**		**6.0%**	**III**	**1987**	**Actual**
	6.0		6.0		5.9		6.0	IV		Forecast
	6.3		6.2		5.9		6.1	I	1988	
	6.5		6.4		6.0		6.2	II		
	6.6		6.4		6.1		6.2	III		
	6.7		6.4		6.1		6.2	IV		
	7.0		6.3		6.0		6.1	I	1989	
	7.1		6.3		5.9		6.2	II		
	7.1		6.2		5.7		6.2	III		
	6.9		6.1		5.5		6.3	IV		
	6.2		6.2		6.2		6.2	Annual	1987	
	6.5		6.4		6.0		6.2	Annual	1988	
	7.0		6.2		5.8		6.2	Annual	1989	

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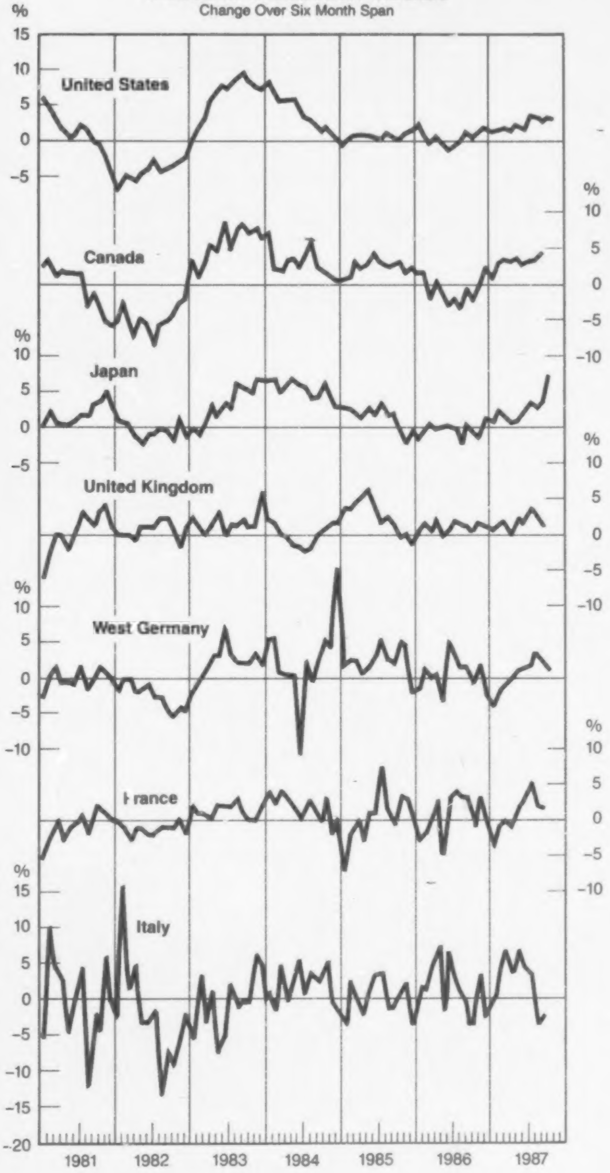
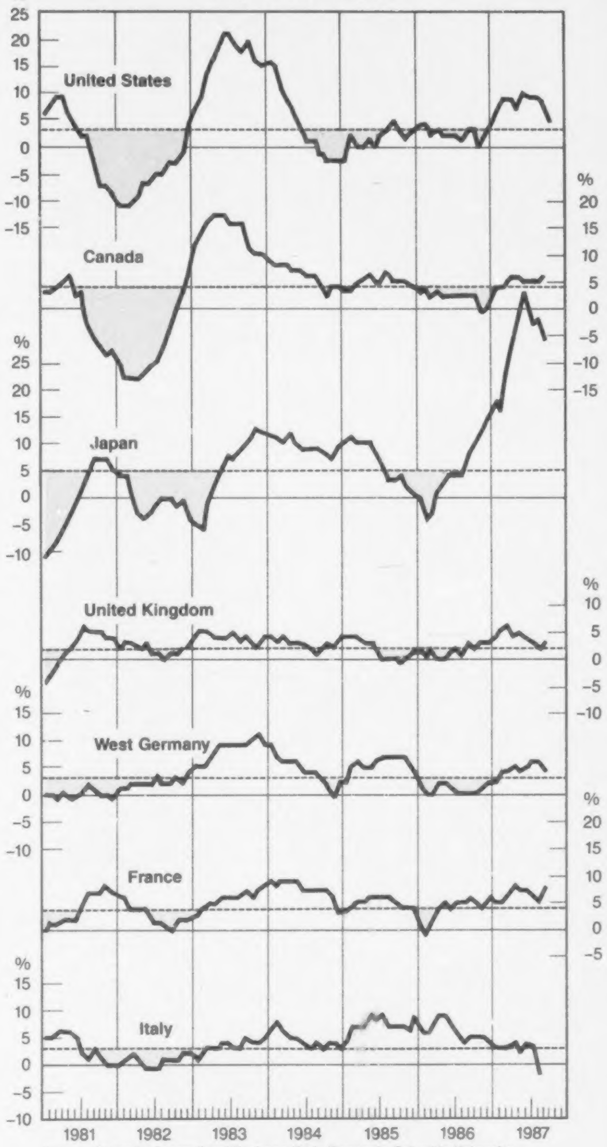
Selected International Comparisons



Industrial Production Indexes

Change Over Six Month Span

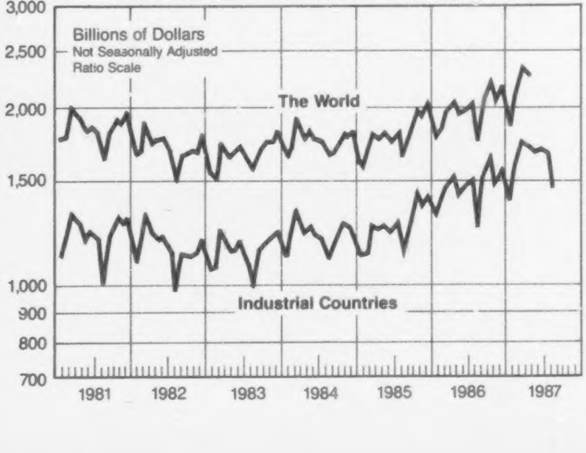


Leading Business Cycle Indexes

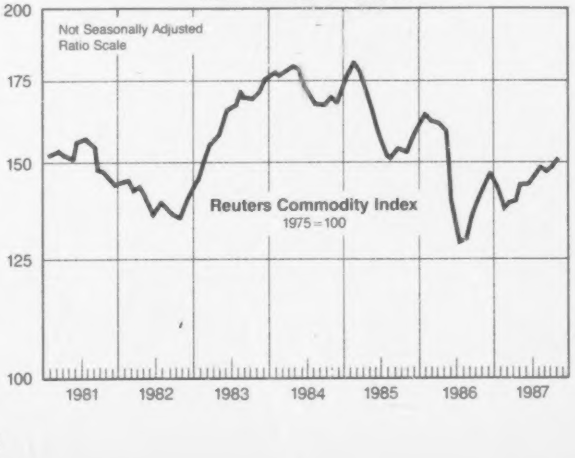
Change From Preceding Year

Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

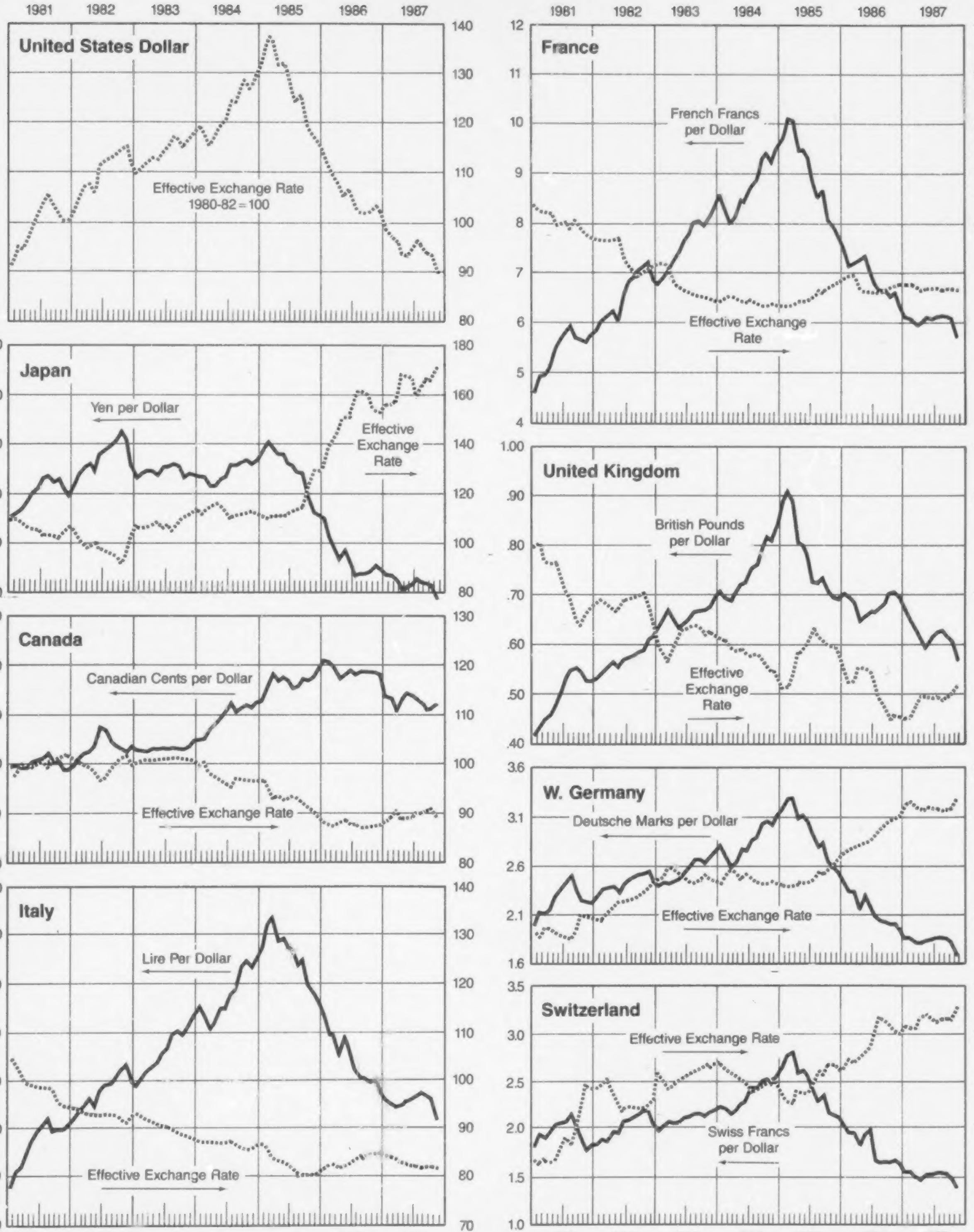


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82=100



Note.: Nominal Effective Exchange Rates: index numbers 1980-82=100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

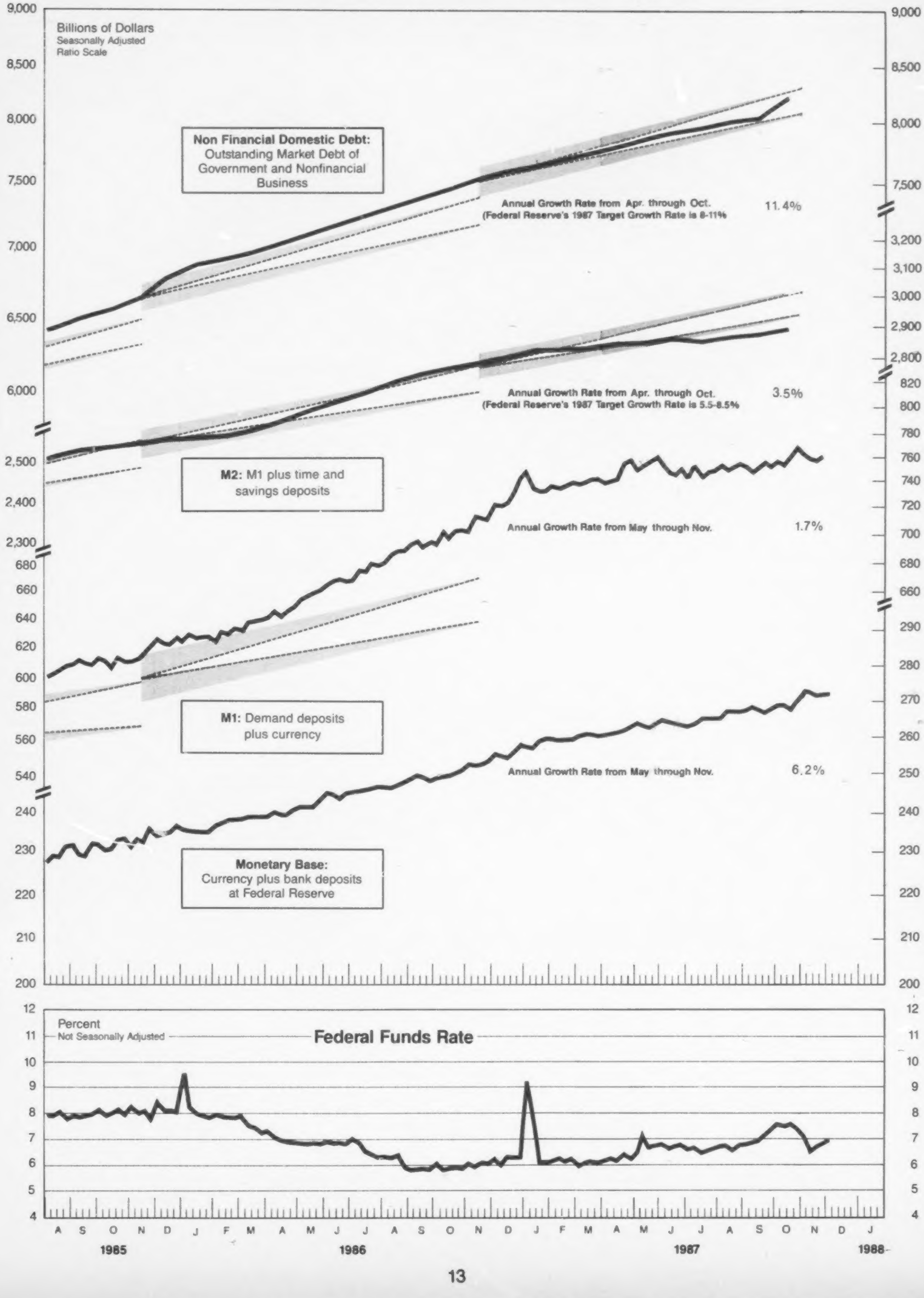
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**–220.7**	**–158.4**	**–123.3**	**–137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	– 0.7
Offsetting receipts	– 33.0	– 37.2	– 45.3	– 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets



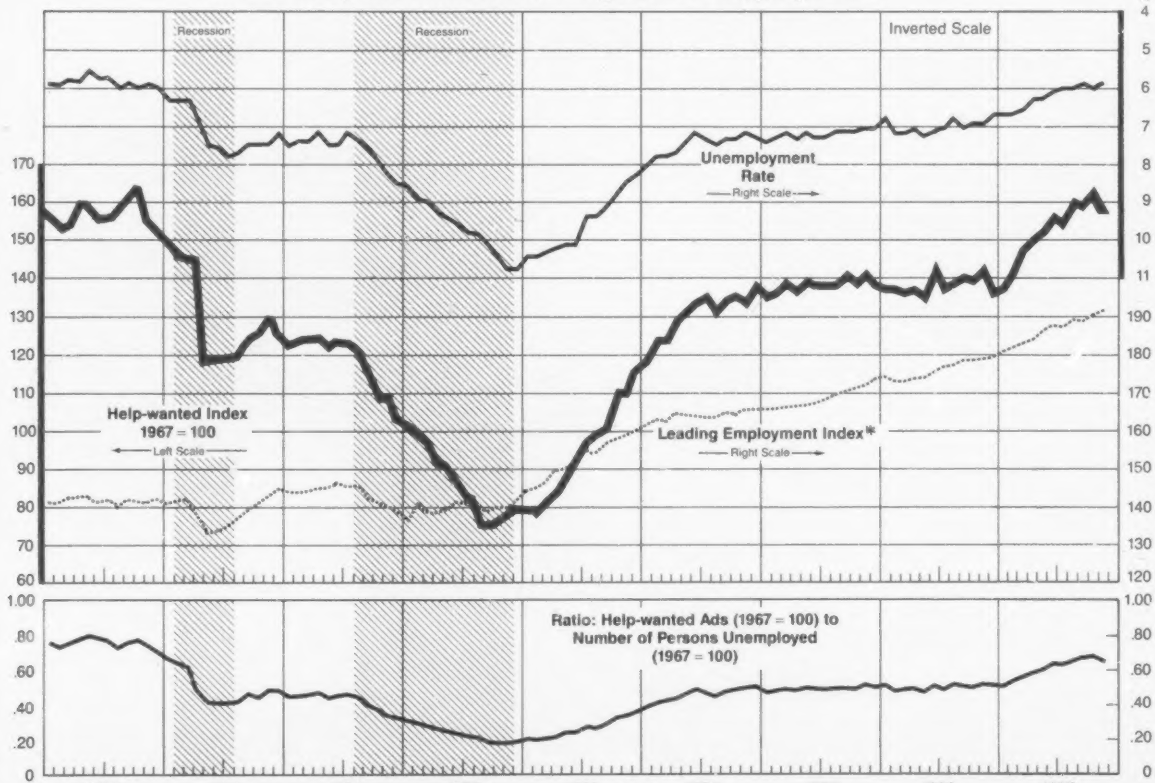
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1987			1986
Locality	**Oct.**	**Sep.**	**Aug.**	**Oct.**
National Index	163	159	160	139
New England	178	175	178	167
Boston	178	174	182	172
Hartford	189	184	182	178
Providence	170	171	158	140
Middle Atlantic	95	93	94	81
Albany	311	305	288	292
Allentown	382	392	379	273
New York	66	67	67	58
Philadelphia	81	77	82	69
Pittsburgh	93	90	100	82
Rochester	103	92	88	83
Syracuse	152	149	146	138
East North Central	106	104	109	93
Chicago	115	117	118	101
Cincinnati	165	160	167	145
Cleveland	69	64	75	61
Columbus	185	180	199	169
Dayton	90	86	90	82
Detroit	57	56	63	60
Gary	183	172	172	123
Indianapolis	115	115	117	103
Milwaukee	101	84	83	65
Toledo	131	136	138	120
West North Central	96	94	101	95
Kansas City	141	131	134	159
Minneapolis	89	89	100	76
Omaha	146	145	152	123
St. Louis	68	64	69	66
South Atlantic	239	221	219	197
Atlanta	279	283	289	257
Baltimore	350	265	219	246
Charlotte	209	208	213	171
Jacksonville	226	249	248	226
Miami	159	153	164	98
Richmond	162	160	167	141
Washington, D.C.	206	197	210	188
East South Central	191	191	191	156
Birmingham	179	186	180	161
Knoxville	297	296	279	226
Louisville	111	92	99	84
Memphis	150	143	157	102
Nashville	286	306	300	255
West South Central	170	168	182	153
Dallas	151	157	159	159
Houston	239	237	276	202
New Orleans	119	115	119	101
Oklahoma City	116	109	114	97
San Antonio	141	135	135	143
Tulsa	140	127	137	113
Mountain	322	312	314	272
Denver	218	209	220	176
Phoenix	450	433	426	392
Salt Lake City	342	343	340	290
Pacific	263	258	249	213
Los Angeles	172	173	174	146
Sacramento	488	481	456	390
San Bernadino	322	316	295	254
San Diego	687	638	572	506
San Francisco	269	265	255	216
Seattle	246	244	244	210
Percentage of papers with rising volume	76	41	86	57
Unemployment rate	6	5.9	6	6.9

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1r	96.3p	

Buying Plans Index

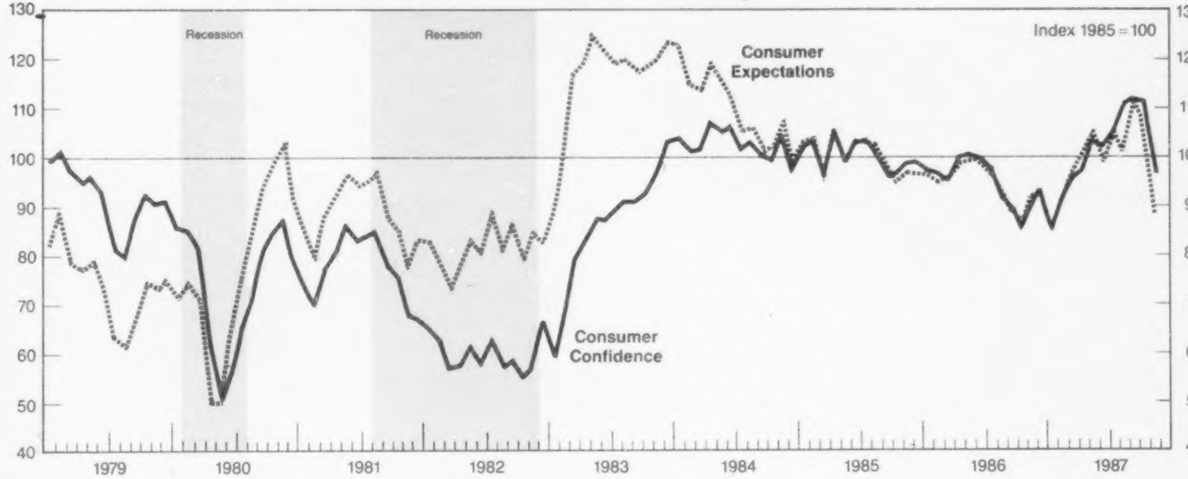
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7	104.9r	91.6p	

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations



CBDB

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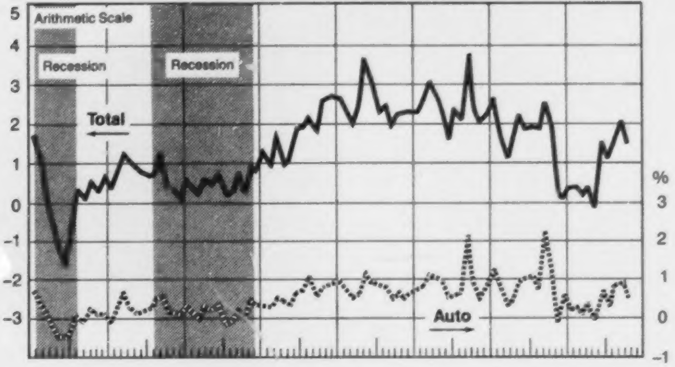
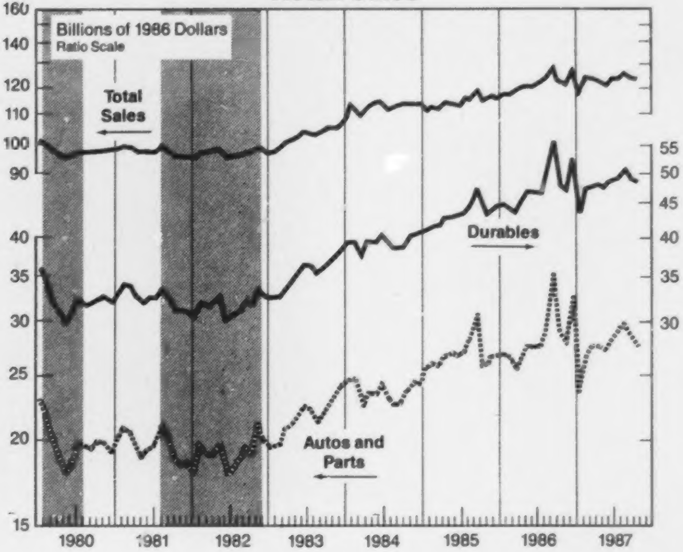
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



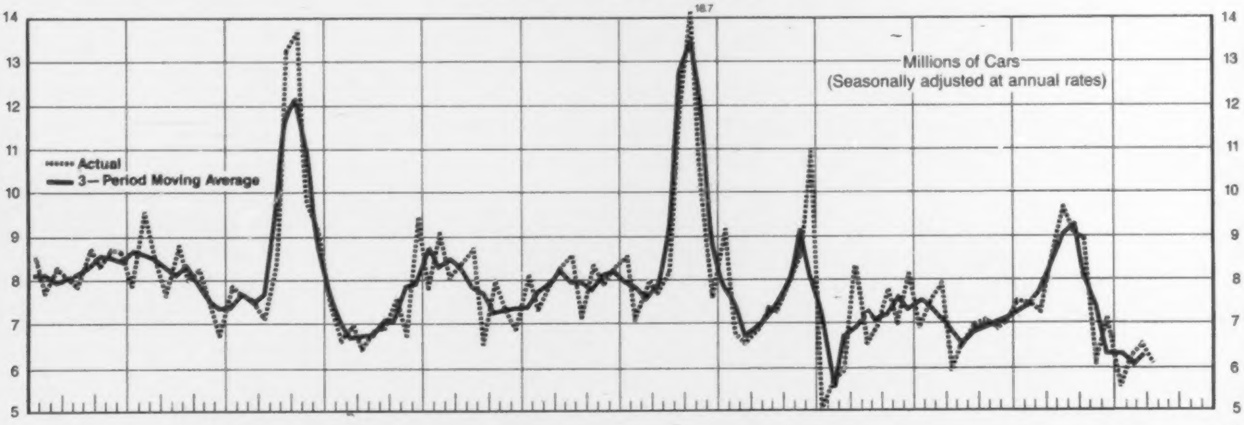
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

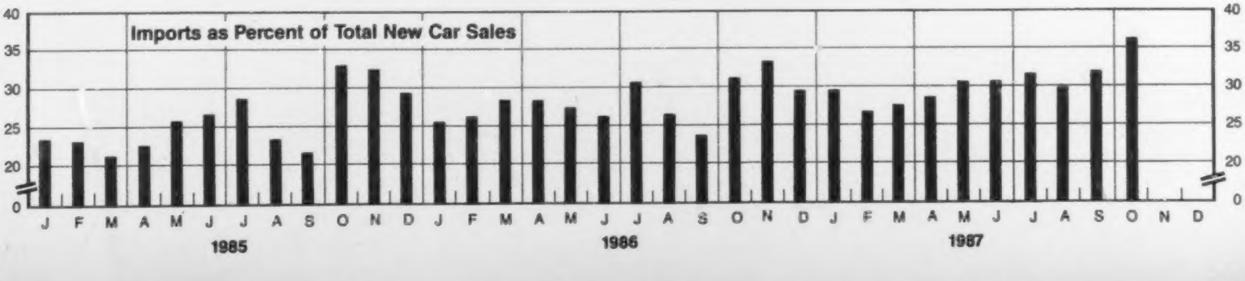
Millions, Seasonally Adjusted at Annual Rate

Periods		1984	1985	1986	1987
January:	1-10	8.16	8.46	7.76	4.78
	11-20	7.84	7.66	9.05	5.71
	21-31	9.15	8.23	8.02	5.95
February:	1-10	7.79	8.01	8.36	8.26
	11-20	9.17	7.84	8.71	6.46
	21-28(29)	7.60	8.69	6.47	6.87
March:	1-10	7.35	8.27	7.93	7.76
	11-20	8.13	8.73	7.23	6.95
	21-31	7.35	8.67	6.81	8.13
April:	1-10	8.88	7.84	8.06	6.85
	11-20	7.96	9.48	7.25	7.52
	21-30	8.60	8.42	7.92	7.89
May:	1-10	8.19	7.60	8.30	5.93
	11-20	7.74	8.78	8.57	6.44
	21-31	8.43	7.96	7.09	6.96
June:	1-10	7.22	8.21	8.27	6.95
	11-20	8.25	7.51	7.84	7.03
	21-30	8.10	6.71	8.30	7.45
July:	1-10	9.51	7.81	8.50	7.42
	11-20	8.32	7.63	7.03	7.29
	21-31	8.59	7.57	7.96	8.53
August:	1-10	7.33	7.09	7.64	9.60
	11-20	8.07	8.30	8.19	9.03
	21-31	7.43	13.23	11.65	8.99
September:	1-10	8.13	13.64	18.67	6.09
	11-20	8.52	9.70	9.87	7.09
	21-30	6.03	9.10	7.58	5.54
October:	1-10	7.83	7.40	9.07	6.22
	11-20	7.07	6.57	6.72	6.48
	21-31	7.70	6.92	6.51	6.08
November:	1-10	6.60	6.40	6.80	6.38
	11-20	8.44	6.81	7.32	7.44
	21-30	6.57	6.91	7.23	
December:	1-10	8.75	7.56	7.95	
	11-20	7.96	6.69	8.54	
	21-31	8.19	9.31	10.93	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales





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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND APPEARS TO BE WEAKENING
- WHILE HOME BUYING REMAINS FLAT
- AND CONSUMER CONFIDENCE IS DECLINING
- INVESTMENT MAY ALSO BE WEAKENING
- ALONG WITH INDUSTRIAL OUTPUT AND LABOR DEMAND
- BUT NEW ORDERS FOR DURABLE GOODS REMAIN STRONG
- OUTLOOK • SLOWER GROWTH IN 1988 BUT NO RECESSION

Volume 21, No. 1, January, 1988.

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Although the current pace of activity remains fairly strong, prospects for U.S. economic growth are sharply lower at the beginning of 1988 than one year ago. And that does not simply reflect the fact that the economic expansion is another year older. Compared to a year ago, interest rates, despite some declines in late 1987, are generally higher. And this is likely to affect such sectors as car and home buying, both of which were lower going into 1988 than one year ago. Another important factor is the uncertainty introduced by the stock market crash of October 1987. Its aftershocks have not been fully sorted out and the possibility of further turbulence clouds the financial environment. If the U.S. government decides to hold the line on the dollar, interest rates could go even higher.

Federal budget cuts also put a damper on economic growth in 1988, by limiting fiscal stimulus. Slower growth will reduce inflationary pressures generated by the falling dollar's upward push on import prices. On the trade front, the dollar's decline is spurring U.S. exports but the bloated trade deficit remains problematic.

DOMESTIC MARKET MONITOR

While the labor force report for December was quite positive, it compared unfavorably with the prior few months. Job gains remained impressive but labor force growth slowed, hours worked declined, and hourly pay increases slowed. There was also some indication that employers have begun to cut back on help-wanted advertising.

Even some of the good news on the labor front is mixed. In December, job gains in goods' production was stronger than in services. If falling consumer and business confidence lead to less growth in consumer buying and business investment, hiring by goods' producers will slow.

One sign of a shift in business attitudes is the drop in labor demand. The Conference Board's **Help-wanted Index** fell to 160 (1967 = 100) in November, from 163 in October. Moreover, early returns to the December survey indicate that this measure of labor demand continued to drop. Earlier concerns about labor shortages appear assuaged, at least for now.

INCOME: Through November, income gains were strong as the workweek lengthened, more workers were hired, and hourly pay rose. Wages in commodity-producing industry were 2.1% higher in November than three months earlier. Wages in "other" industry were 1.9% higher. After rising sharply, hourly pay dipped in December: The average rate in private industry fell to $9.13 in November. With the drop in the workweek and in hourly pay in December, the rising trend in wage income has probably ended.

After a modest uptick in September and October, consumer credit demand turned quite sluggish in November—partly the result of the slow pace of auto sales, and therefore of auto loans. The rise in revolving credit also slowed sharply. The combination of income gains and modest increases in credit resulted in a drop in the ratio of **Consumer Installment Debt Expansion to Personal Income**. With the exception of a small rise in September and October, consumer indebtedness was flat to declining for much of 1987.

Consumer attitudes appear to be in a holding pattern. The Conference Board's **Consumer Confidence Index** was at a high of 115.1 (1985 = 100) in October, at the time of the stock market crash. It then fell to 100.8 in November but recovered in December to 105.8, which was close to its August level. These readings suggest that confidence was shaken but not completely undermined.

SPENDING: Even before the fall-off in consumer confidence, consumer buying was quite sluggish, despite reasonably strong gains in income. Retail sales, except cars, inched up 0.4% in November, after declining in September and October. Now, confidence has fallen and the rise in income has slowed, suggesting a slowdown in the pace of activity.

New domestic **Automobile Sales** were lackluster in October and November, but picked up a bit in December. Foreign model sales did not fare any better. Over the short term, with consumer confidence in a holding pattern and income gains slowing, prospects for stronger auto sales appear limited.

CONSTRUCTION: While the demand for cars and other consumer goods is beginning to weaken, home buying has been flat to declining for the last seven months. New single-family home sales were only 2.3% higher in November than in May 1987. But that also suggests that home buying is not in a free fall. As long as sales remain poor, however, the prospects for home building will be limited.

New single-unit housing starts remained level in November, while permits for new construction continued to fall. Multiple-unit starts were a little stronger in recent months, but permits to build stagnated.

Nonresidential construction was also weak through much of 1987 but began to recover late in the year. Industrial building was 11.3% higher in November than

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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New York, N.Y. 10022

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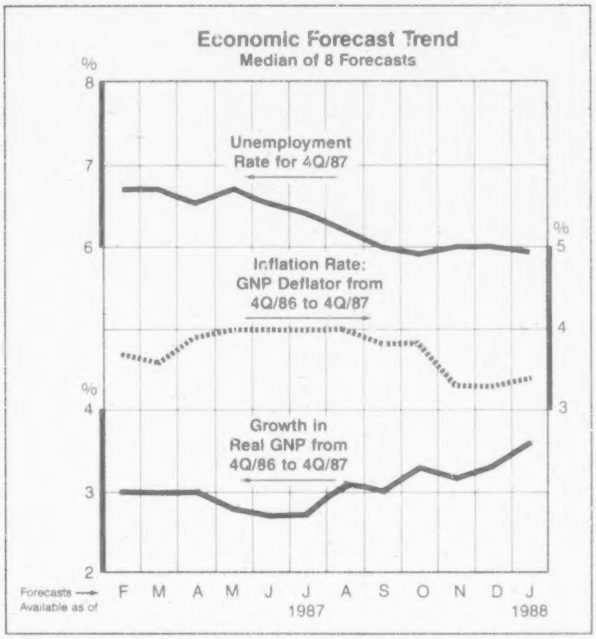


three months earlier. Office and commercial building also rebounded, albeit at a more modest pact. Public building remains sluggish, but work on roads and other infrastructure has recovered strongly from declines earlier this year.

PRODUCTION: The rise in dustrial output is still vigorous but has become narrowly concentrated. While total industrial output was 1% higher in November than three months earlier, total output of finished consumer goods was flat and defense and space goods were up by only 0.3 percent. Business equipment, in contrast, was 2.7% higher. With hours worked declining in December, total production probably fell that month.

Any slowing in industrial output may be limited. New orders remain strong, particularly in the primary-processing stage: Orders for primary metals were 11.7% higher in November than three months earlier. Machinery orders were up by only 0.8 percent. Orders for all durable goods, except defense-related, were 3.6% higher.

INVENTORY: Another reason why any slowdown in industrial output may be limited is inventory thinning. Inventories, except cars at the retail level, were 1.4% higher in October than three months earlier. And industrial sales were 2.4% higher. That means the Inventory-to-Sales ratio has dropped a bit in recent months. With the rate of new orders picking up, there is some pressure to continue restocking inventory.

INFLATION: There is little evidence to suggest that price increases are beginning to quicken. Raw industrial prices fell in November and December and farm prices, generally flat from July through November, dropped in December.

Prices at the wholesale level also remain flat to declining. In November, raw food prices fell for the sixth straight month; raw energy prices fell for the eighth month. Prices of finished goods were basically unchanged in three of the last four months. The consensus of the **Economic Forecasts** is that consumer prices rose at a 4% annual rate in the fourth quarter of 1987 and may accelerate to about 4.6% by the fourth quarter of 1988.

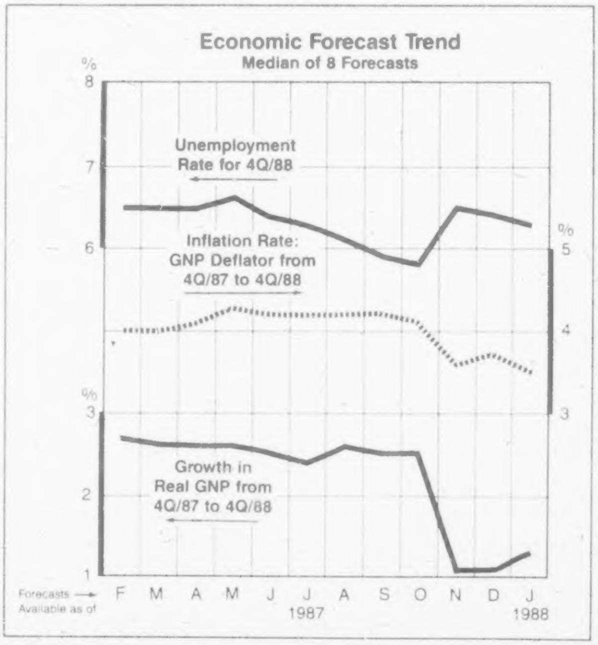
INTERNATIONAL MONITOR

After some declines in August and September, total imports surged in October. Altogether, imports were 5.1% higher in october than three months earlier. Imports of manufactured goods were 5.7% higher. Predictably, the news of the import surge sent the financial markets reeling.

The bad news on the import side deflected attention from a strong showing on the export side. Total exports were 3.5% higher in October than three months earier. Exports of manufactured goods were 4% higher.

Import prices rose a little faster than U.S. consumer prices in the third quarter. Conversely, export prices increased a bit slower than prices on products made and sold domestically. With the dollar continuing to depreciate, these data suggest that U.S. products are recovering some price advantage at home and becoming more price competitive abroad.

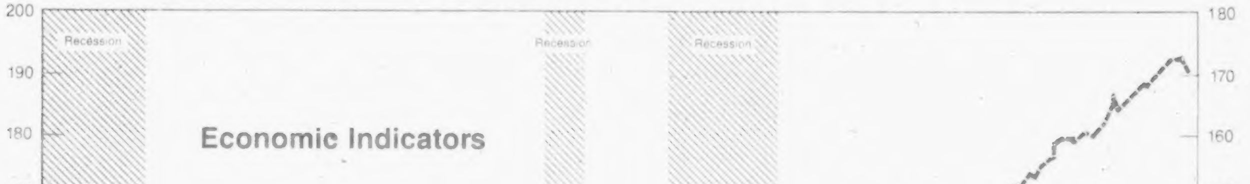
The **Economic Forecasts** continue to reflect a slower growth rate for the United States next year. If the U.S. economy is growing more slowly than that of its major competitors, the overall trade balance should benefit. That might also take some steam out of the push for trade restrictions in this presidential election year.



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Nov.		X		– 1.3%	4.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Nov.		X		– 1.1%	7.9%
New orders, nondefense capital goods (deflated)	Nov.		X		0.9%	9.9%
*New business formation	Nov.	X			1.3%	3.6%
*Housing permits	Nov.			X	– 2.3%	–11.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Nov.	X			2.7%	8.2%
*Change in inventory, on hand & order (deflated)	Oct.		X		–15.3%	31.9%
Purchasing agents' buying policy	Dec.	X			7.0%	3.0%
*Vendor performance, reported slower deliveries	Nov.		X		6.0%	10.0%
Industrial raw materials prices	Dec.		X		– 0.2%	17.9%
*Change in sensitive material prices	Nov.			X	– 0.4%	0.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Nov.		X		0.2%	– 0.3%
Change in business loans	Nov.		X		21.0%	–24.8%
*Change in credit outstanding	Oct.	X			11.1%	3.5%
Change in consumer installment debt	Oct.		X		4.6%	–22.2%
Profitability						
Total corporate profits, after tax (deflated)	3rd.Q	X			5.2%	6.1%
*Common stock prices	Dec.			X	–23.6%	– 2.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Nov.		X		0.2hr	0.4hr
*Initial unemployment claims (inverted)	Nov.		X		1.3%	14.3%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington, D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1986	1987			
DIFFUSION INDEXES	Nov.	Aug	Sep.	Oct.	Nov.(e)
Principal Diffusion Index	56.4	65.4r	66.3r	65.2r	61.2
Auxillary Diffusion Index	62.2	48.0	53.0r	46.3r	37.0
Industrial Group	56.0	64.7r	64.4r	65.4r	63.1
Nonindustrial Group	56.9	66.0	68.2	64.9	59.2
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	59.2	75.6	70.1r	69.7r	74.4
Labor	50.8	59.2r	59.4r	62.4r	59.1
Miscellaneous	43.6	62.2	68.6	66.7	56.4
Nonindustrial Subgroups					
Prices	66.7	86.5	81.4	76.3	63.5
Consumer	65.4	76.5	75.6	70.1	64.5
Building	35.9	46.2	54.5	46.8	46.8
Miscellaneous	56.0	55.1	61.1	64.1	59.2

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board s Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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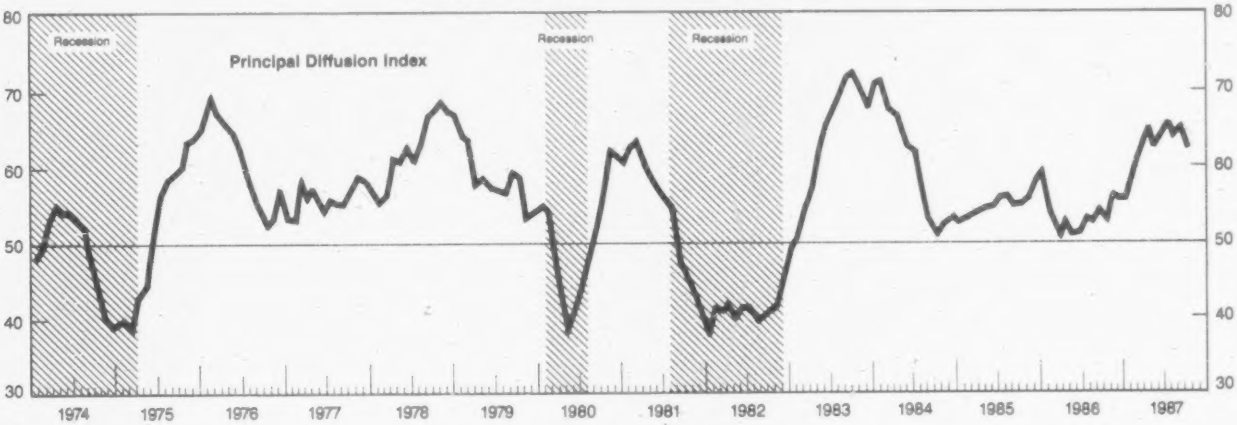
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985				1986				1987			
	Feb.	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)											
Measure of Business Confidence	61	52	51	55	61	61	50	51	55	55	59	47
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	45	53	63	61	44	50	56	55	62	50
2. Expectations for Economy, Six Months Ahead	61	53	53	56	62	62	52	51	54	53	56	43
3. Expectations for Own Industry, Six Months Ahead	61	55	54	56	59	60	54	53	56	56	58	48

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1986					
	II	III	IVr	Ir	IIr	IIIp
1000 LARGEST MANUFACTURING FIRMS						
New appropriations	19.991	20.203	22.097	21.441	32.257	30.872
Capital expenditures	24.309	22.452	23.299	20.801	25.933	25.817
Change in appropriations backlog*	−6.447	−5.060	−10.990	−0.550	+5.460	+2.770
Durable Goods						
New appropriations	9.578	10.051	10.807	9.746	16.515	16.496
Capital expenditures	11.880	12.186	12.915	11.124	14.006	13.948
Change in appropriations backlog*	−3.824	−3.986	−4.140	−2.070	+2.310	+1.930
Nondurable Goods						
New appropriations	10.413	10.152	11.290	11.695	15.742	14.376
Capital expenditures	12.429	10.266	10.384	9.677	11.927	11.869
Change in appropriations backlog*	−2.623	−1.074	−6.850	+1.520	+3.160	+0.840
ELECTRIC & GAS UTILITIES						
New appropriations	5.544	5.530	5.491	6.513	5.627	
Capital expenditures	7.702	7.535	6.080	7.649	7.059	
Change in appropriations backlog*	−3.840	−2.105	−1.005	−0.820	−1.700	

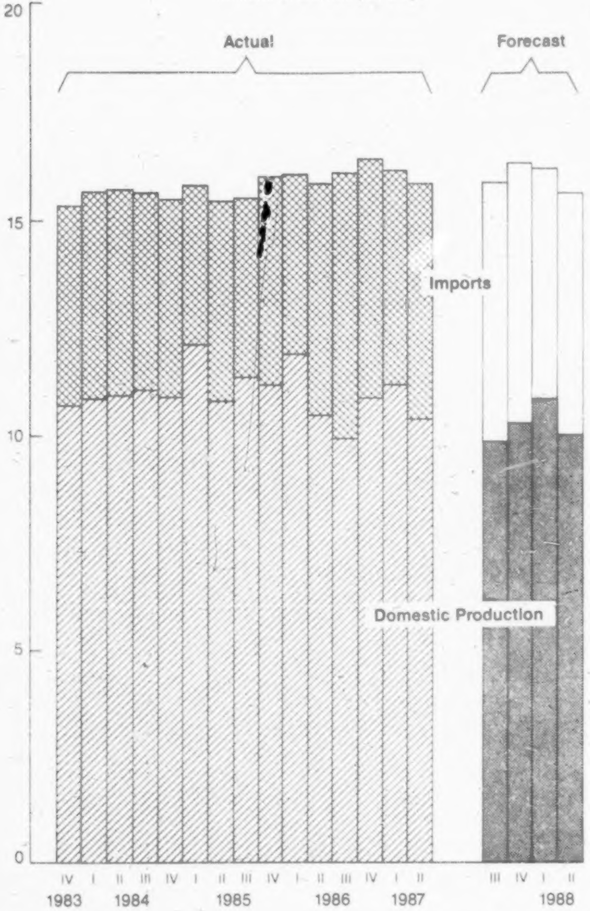
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

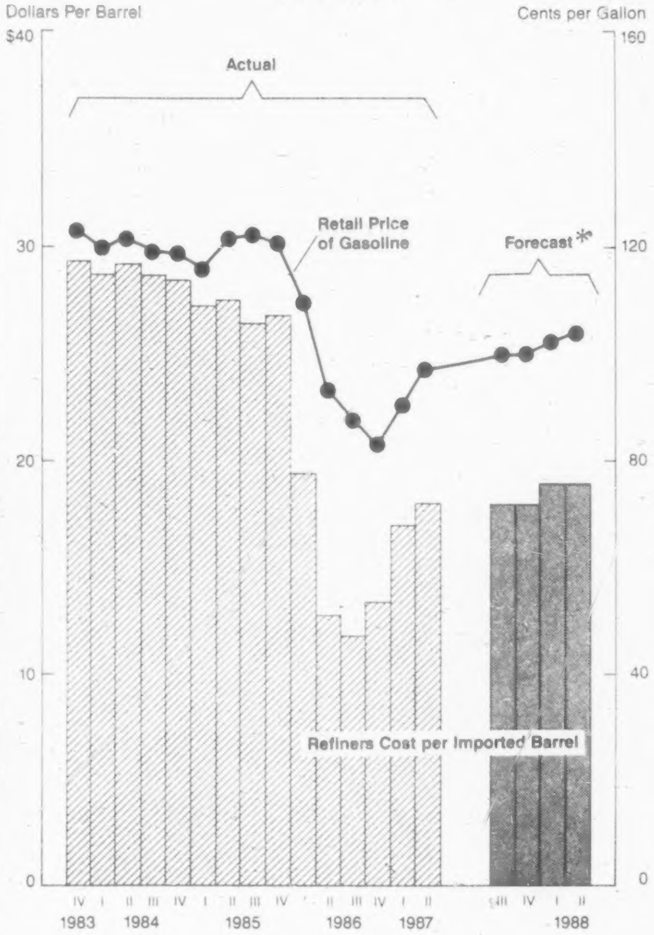
* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Oil Supply

Millions of Barrels per Day

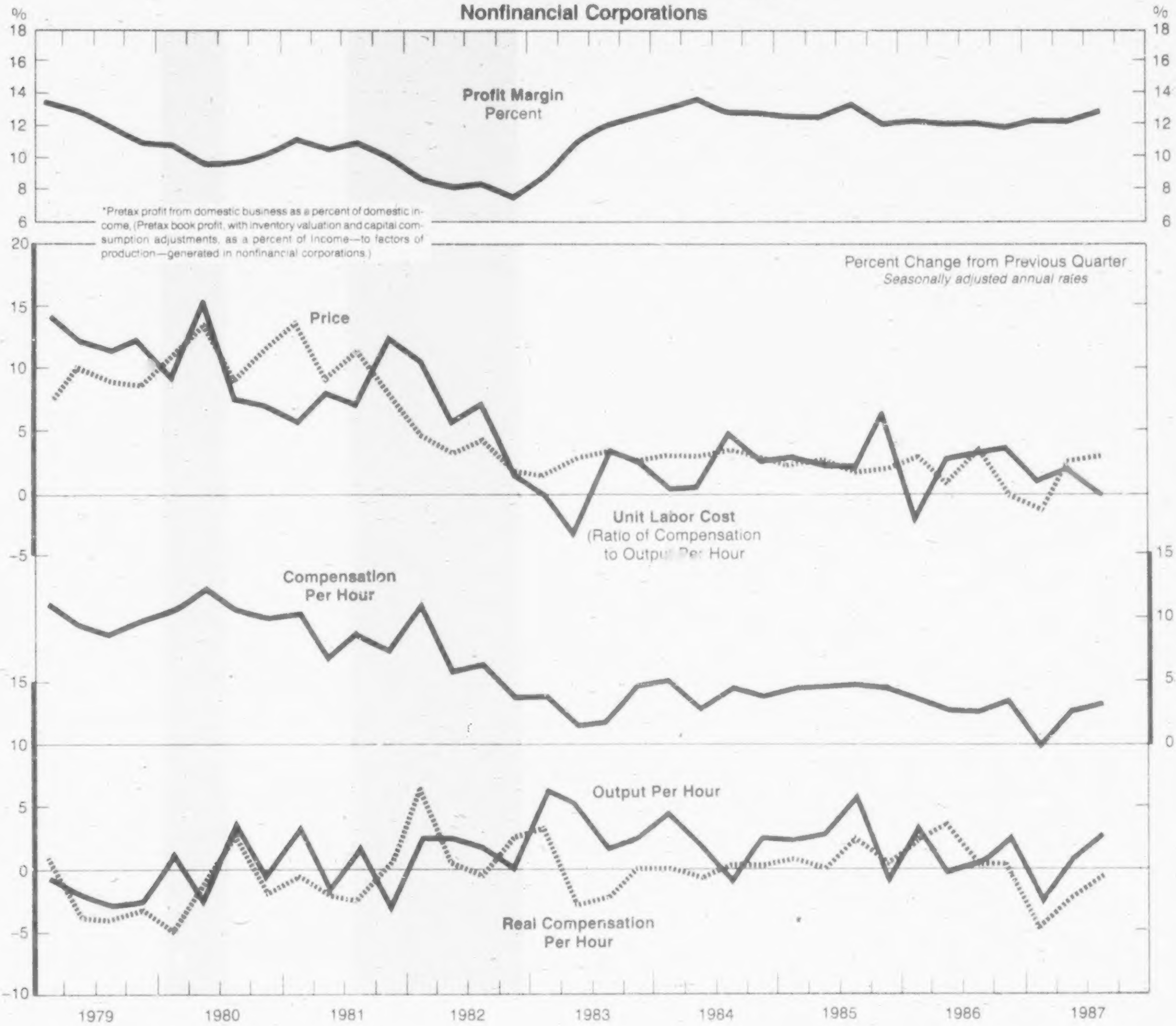


Oil Price



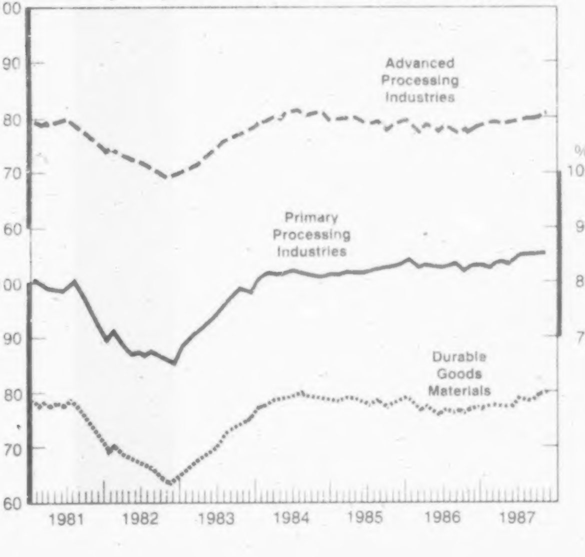
* Source of Forecast is The Energy Information Administration; Department of Energy.

Key Determinants of Profit Margin
Nonfinancial Corporations

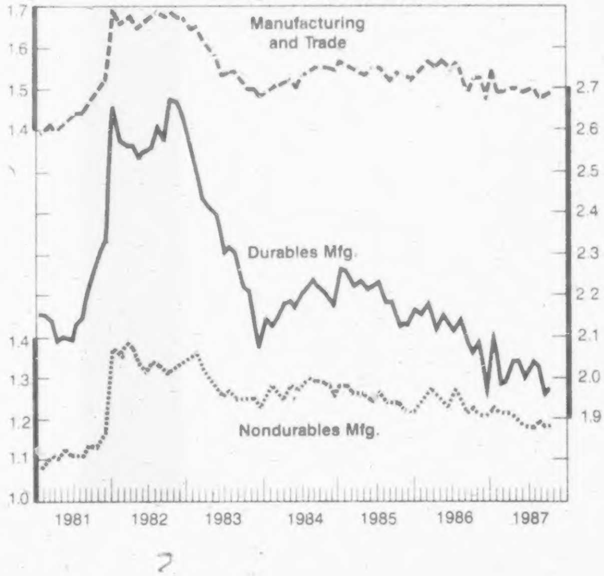


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory - Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Dec., 1987*		*Dec., 1987*		*Dec., 1987*		*Dec., 1987*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**III**	**$4524.0**	**7.3%**	**$4524.0**	**7.3%**	**$4524.0**	**7.3%**	**$4524.0**	**6.1%**
Forecast		IV	4548.1	2.1	4602.8	7.2	4619.9	8.8	4592.0	6.1
	1988	I	4507.3	–3.5	4638.2	3.1	4694.3	6.6	4655.4	5.6
		II	4502.1	–0.5	4700.2	5.5	4752.1	5.0	4724.4	6.1
		III	4537.7	3.2	4775.4	6.6	4805.1	4.5	4782.5	5.0
		IV	4581.6	3.9	4857.4	7.0	4845.4	3.4	4827.4	3.8
	1989	I	4683.2	9.2	4951.2	8.0	4900.8	4.7	4873.9	3.9
		II	4792.1	9.6	5009.5	4.8	4991.8	7.6	4957.6	7.0
		III	4921.4	11.2	5059.0	4.0	5079.9	7.2	5062.6	8.7
		IV	5051.1	11.0	5167.1	8.8	5174.0	7.6	5158.8	7.8
	1987	Annual	4473.7	5.6	4487.4	6.0	4491.7	6.1	4484.7	5.9
	1988	Annual	4532.2	1.3	4742.8	5.7	4774.2	6.3	4747.4	5.9
	1989	Annual	4862.0	7.3	5046.7	6.4	5036.6	5.5	5013.2	5.6
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**III**	**$3835.9**	**4.3%**	**$3835.9**	**4.3%**	**$3835.9**	**4.3%**	**$3835.9**	**4.3%**
Forecast		IV	3833.7	–0.2	3866.5	3.2	3866.0	3.2	3865.3	3.1
	1988	I	3772.7	–6.2	3859.9	–0.7	3886.0	2.1	3889.2	2.5
		II	3746.0	–2.8	3869.5	1.0	3892.0	0.6	3914.2	2.6
		III	3751.0	0.5	3886.4	1.8	3897.0	0.5	3920.1	0.6
		IV	3765.1	1.5	3905.3	2.0	3900.0	0.3	3915.2	–0.5
	1989	I	3822.6	6.3	3925.4	2.1	3915.0	1.5	3908.3	–0.7
		II	3883.4	6.5	3918.4	–0.7	3943.0	2.9	3931.5	2.4
		III	3956.1	7.7	3903.3	–1.5	3978.0	3.6	3976.9	4.7
		IV	4027.2	7.4	3933.0	3.1	4014.0	3.7	4020.9	4.5
	1987	Annual	3809.3	2.6	3817.5	2.8	3817.3	2.8	3817.2	2.8
	1988	Annual	3758.7	–1.3	3880.3	1.6	3893.8	2.0	3909.8	2.4
	1989	Annual	3922.3	4.4	3920.0	1.0	3962.5	1.8	3959.4	1.3
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**III**	**117.9**	**2.2%**	**117.9**	**2.2%**	**117.9**	**2.2%**	**117.9**	**2.2%**
Forecast		IV	118.6	2.4	119.0	3.8	119.5	5.4	118.8	3.0
	1988	I	119.7	3.6	120.2	3.8	120.8	4.4	119.7	3.1
		II	120.2	1.6	121.5	4.4	122.1	4.4	120.7	3.4
		III	121.0	2.7	122.7	4.7	123.3	4.0	122.0	4.4
		IV	121.7	2.4	124.4	5.0	124.2	3.1	123.3	4.3
	1989	I	122.5	2.7	126.1	5.8	125.2	3.1	124.7	4.6
		II	123.4	2.9	127.8	5.5	126.6	4.6	126.1	4.5
		III	124.4	3.3	129.6	5.6	127.7	3.5	127.3	3.9
		IV	125.4	3.3	131.4	5.6	128.9	3.8	128.3	3.2
	1987	Annual	117.4	3.0	117.5	3.1	117.7	3.2	117.5	3.0
	1988	Annual	120.6	2.7	122.2	4.0	122.6	4.2	121.4	3.4
	1989	Annual	123.9	2.7	128.7	5.3	127.1	3.7	126.6	4.3
Unemployment Rate										
Actual	**1987**	**III**		**6.0%**		**6.0%**		**6.0%**		**6.0%**
Forecast		IV		5.9		5.9		6.0		5.9
	1988	I		6.6		6.2		6.2		6.0
		II		7.1		6.2		6.3		6.1
		III		7.5		6.2		6.4		6.2
		IV		7.7		6.2		6.6		6.3
	1989	I		7.6		6.1		6.6		6.6
		II		7.2		6.3		6.5		6.6
		III		6.8		6.4		6.4		6.5
		IV		6.3		6.3		6.3		6.4
	1987	Annual		6.2		6.2		6.2		6.2
	1988	Annual		7.2		6.2		6.4		6.2
	1989	Annual		6.9		6.3		6.5		6.5

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[1] Based on revised (2nd revised) third quarter data.

ECONOMIC FORECASTS (continued)

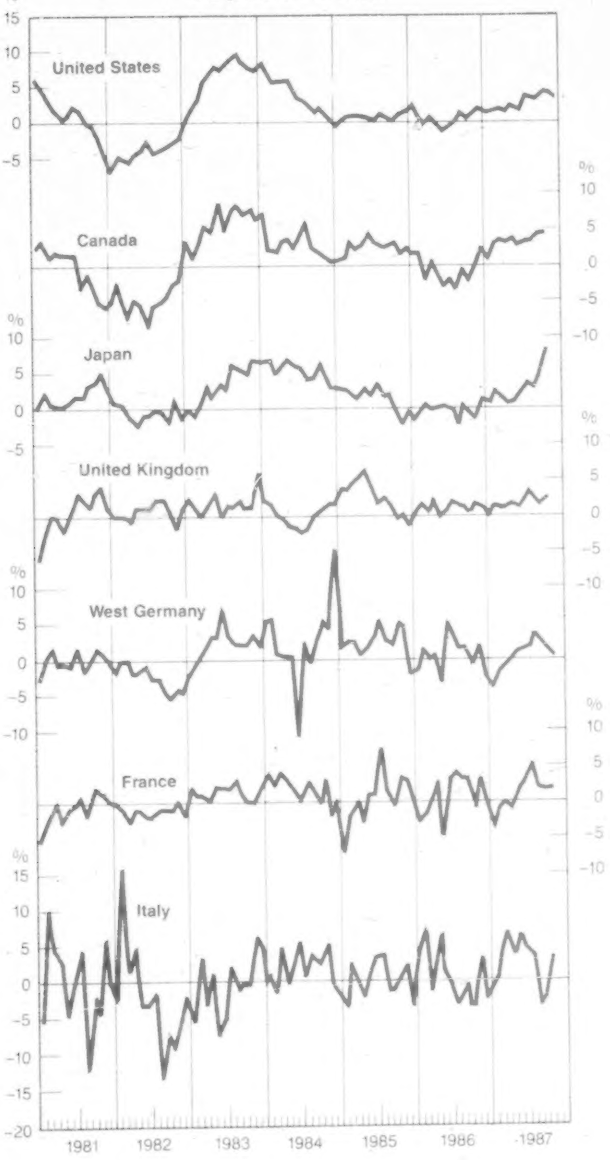
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Dec., 1987		*Dec., 1987*		*Dec., 1987*		*Dec., 1987*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4524.0	**7.3%**	**$4524.0**	**7.3%**	**$4524.0**	**7.3%**	**$4524.0**	**7.3%**	III	1987	Actual
4586.0	5.6	4596.0	6.5	4589.9	6.0	4587.9	5.8	IV		Forecast
4644.0	5.2	4630.0	3.0	4624.3	3.0	4654.8	6.0	I	1988	
4692.0	4.2	4679.3	4.3	4668.4	3.9	4711.1	4.9	II		
4722.0	2.6	4759.1	7.0	4733.9	5.7	4778.6	5.9	III		
4789.0	5.8	4834.1	6.5	4805.0	6.1	4852.4	6.3	IV		
4856.0	5.7	4926.2	7.8	4900.8	8.2	4935.2	7.0	I	1989	
4935.0	6.7	5011.2	7.1	4992.7	7.7	5007.4	6.0	II		
5008.0	6.0	5106.9	7.9	5088.1	7.9	5084.5	6.3	III		
5082.0	6.0	5194.5	7.0	5187.1	8.0	5157.6	5.9	IV		
4483.2	5.9	4485.7	5.9	4484.2	5.9	4483.7	5.9	Annual	1987	
4711.8	5.1	4725.6	5.3	4707.9	5.0	4749.2	5.9	Annual	1988	
4970.3	5.5	5059.7	7.1	5042.2	7.1	5046.2	6.3	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3835.9	**4.3%**	**$3835.9**	**4.3%**	**$3835.9**	**4.3%**	**$3835.9**	**4.3%**	III	1987	Actual
3870.0	3.6	3864.0	3.0	3859.6	2.5	3864.1	3.0	IV		Forecast
3889.4	2.0	3865.3	0.1	3863.0	0.4	3878.2	1.5	I	1988	
3897.2	0.8	3877.4	1.3	3871.8	0.9	3892.9	1.5	II		
3889.4	–0.8	3911.9	3.6	3893.4	2.3	3912.1	2.0	III		
3912.5	2.4	3937.5	2.6	3919.7	2.7	3939.2	2.8	IV		
3931.9	2.0	3969.4	3.3	3961.0	4.3	3968.5	3.0	I	1989	
3957.2	2.6	3996.5	2.8	3997.7	3.8	3988.0	2.0	II		
3977.8	2.1	4029.0	3.3	4034.0	3.7	4006.5	1.9	III		
3998.5	2.1	4054.0	2.5	4071.9	3.8	4015.2	0.9	IV		
3818.3	2.8	3816.8	2.8	3815.7	2.8	3816.9	2.8	Annual	1987	
3897.1	2.1	3898.0	2.1	3887.0	1.9	3905.6	2.3	Annual	1988	
3966.4	1.8	4012.2	2.9	4016.2	3.3	3994.6	2.3	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
117.9	**3.4%**	**117.9**	**2.2%**	**117.9**	**2.2%**	**117.9**	**2.2%**	III	1987	Actual
118.5	1.9	118.9	3.5	118.9	3.4	118.7	2.7	IV		Forecast
119.4	3.1	119.8	2.9	119.7	2.7	120.0	4.4	I	1988	
120.4	3.4	120.7	3.0	120.6	2.9	121.0	3.4	II		
121.4	3.4	121.7	3.3	121.6	3.4	122.1	3.8	III		
122.4	3.3	122.8	3.7	122.6	3.3	123.2	3.4	IV		
123.5	3.6	124.1	4.4	123.7	3.8	124.4	3.9	I	1989	
124.7	4.0	125.4	4.2	124.9	3.8	125.6	3.9	II		
125.9	3.9	126.8	4.4	126.1	4.0	126.9	4.4	III		
127.1	3.9	128.1	4.4	127.4	4.0	128.5	5.0	IV		
117.4	2.9	117.5	3.0	117.5	3.0	117.5	3.0	Annual	1987	
120.9	3.0	121.2	3.2	121.1	3.1	121.6	3.5	Annual	1988	
125.3	3.6	126.1	4.0	125.5	3.6	126.3	3.9	Annual	1989	
								Unemployment Rate		
	6.0%		**6.0%**		**6.0%**		**6.0%**	III	1987	Actual
	6.0		5.9		5.9		5.9	IV		Forecast
	6.1		6.1		5.9		6.0	I	1988	
	6.3		6.3		6.0		6.1	II		
	6.6		6.3		6.0		6.1	III		
	6.5		6.3		6.0		6.2	IV		
	6.6		6.1		5.9		6.1	I	1989	
	6.5		6.1		5.8		6.1	II		
	6.6		6.0		5.6		6.2	III		
	6.6		6.0		5.5		6.3	IV		
	6.2		6.2		6.2		6.2	Annual	1987	
	6.4		6.3		6.0		6.1	Annual	1988	
	6.6		6.1		5.7		6.2	Annual	1989	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-09[illegible]0.

Selected International Comparisons

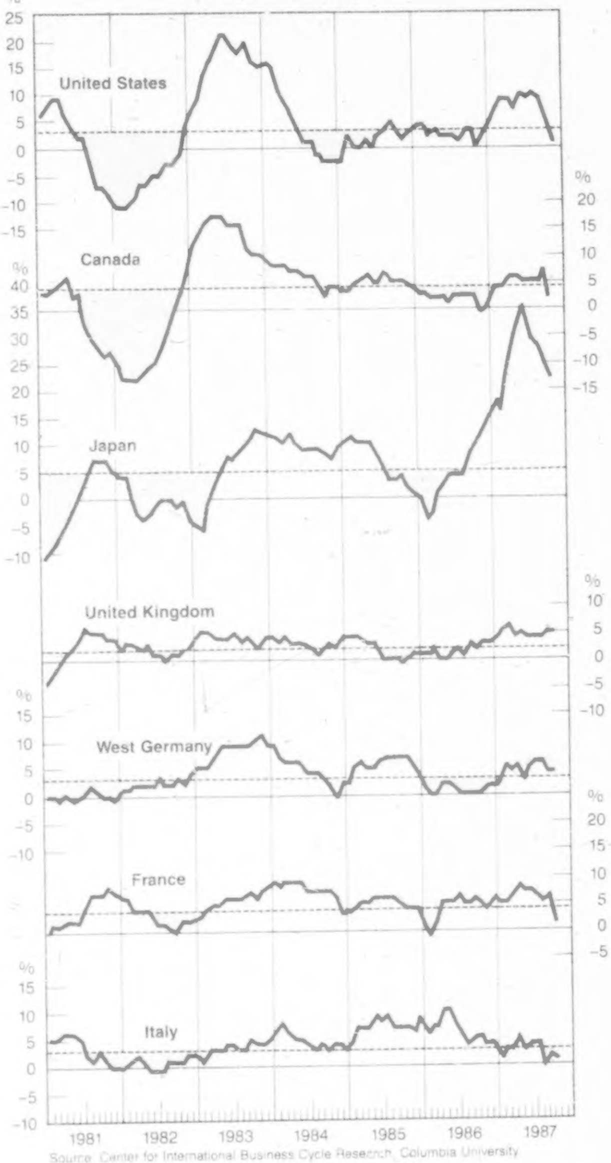
Industrial Production Indexes

Change Over Six Month Span



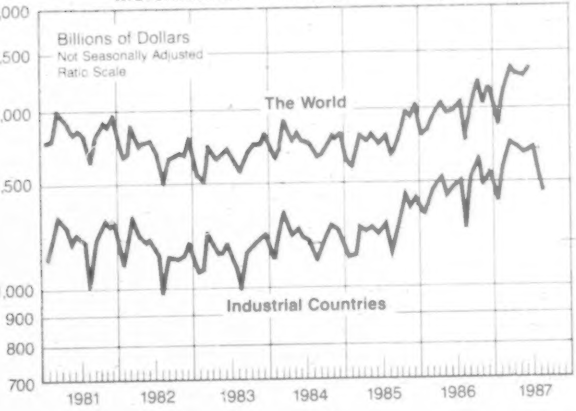
Leading Business Cycle Indexes

Change From Preceding Year

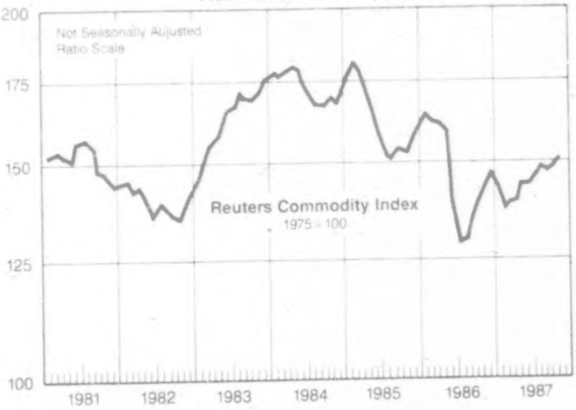


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

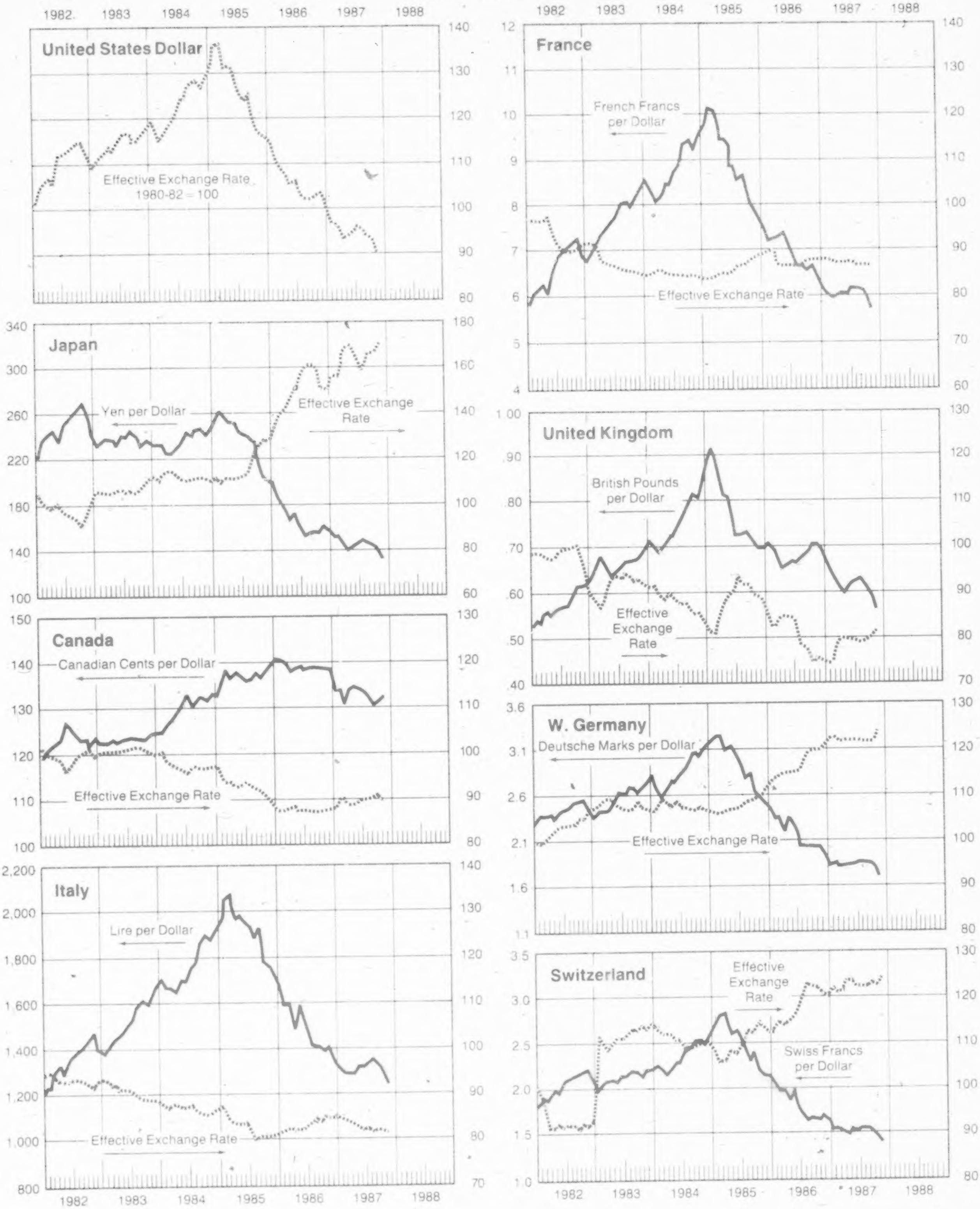


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

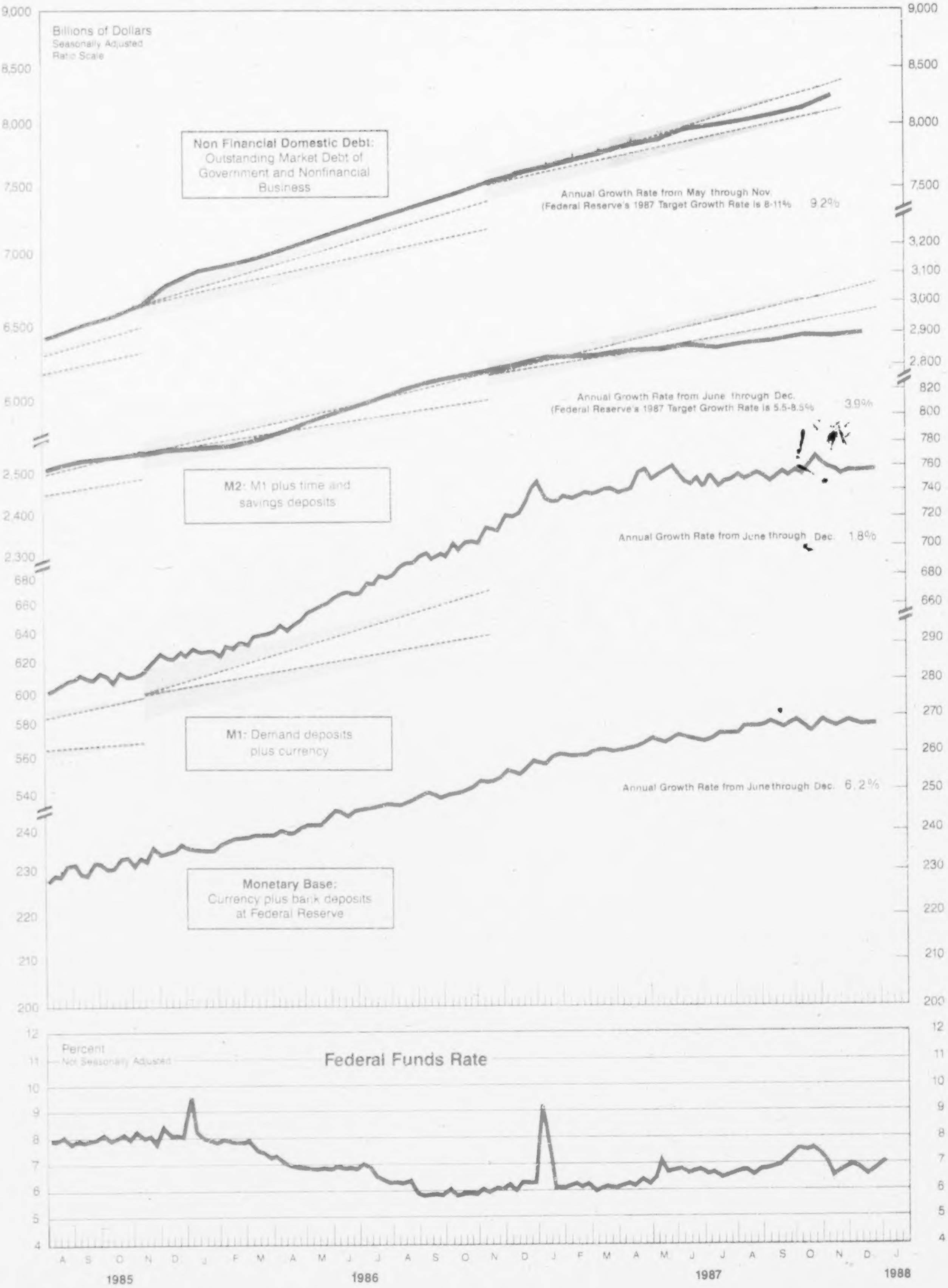
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**−220.7**	**−158.4**	**−123.3**	**−137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	− 0.7
Offsetting receipts	− 33.0	− 37.2	− 45.3	− 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets



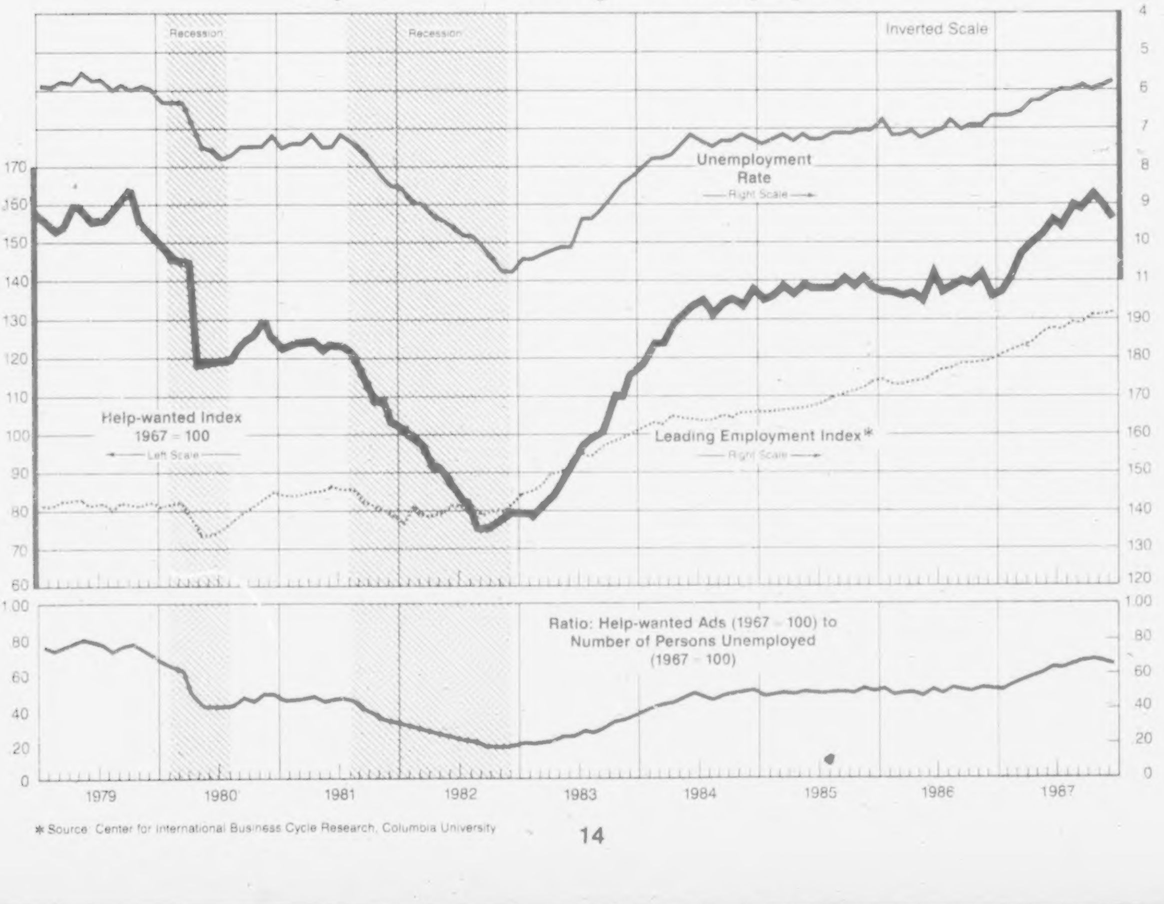
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1987			1986
Locality	**Nov.**	**Oct.**	**Sep.**	**Nov**
National Index	160	163	159	143
New England	182	178	175	178
Boston	182	178	174	185
Hartford	192	189	184	183
Providence	171	170	171	150
Middle Atlantic	98	95	93	84
Albany	413	311	305	198
Allentown	329	382	392	306
New York	66	66	67	63
Philadelphia	86	81	77	75
Pittsburgh	101	93	90	89
Rochester	98	103	92	86
Syracuse	150	152	149	142
East North Central	105	106	104	96
Chicago	115	115	117	103
Cincinnati	164	165	160	151
Cleveland	70	69	64	64
Columbus	185	185	180	168
Dayton	89	90	86	84
Detroit	59	57	56	65
Gary	174	183	172	128
Indianapolis	115	115	115	106
Milwaukee	89	101	84	64
Toledo	132	131	136	122
West North Central	105	98	94	104
Kansas City	153	141	131	178
Minneapolis	95	89	89	84
Omaha	160	146	145	137
St. Louis	71	68	64	71
South Atlantic	220	239	221	203
Atlanta	293	279	283	266
Baltimore	219	350	265	243
Charlotte	218	209	208	176
Jacksonville	228	226	249	227
Miami	N.A.	159	153	101
Richmond	163	162	160	146
Washington, D.C.	N.A.	206	197	201
East South Central	179	191	191	154
Birmingham	174	179	186	160
Knoxville	306	297	296	224
Louisville	99	111	92	88
Memphis	143	150	143	122
Nashville	246	286	306	221
West South Central	175	170	168	156
Dallas	156	151	157	154
Houston	246	239	237	208
New Orleans	125	119	115	110
Oklahoma City	114	116	109	98
San Antonio	156	141	135	149
Tulsa	134	140	127	122
Mountain	336	322	312	291
Denver	210	218	209	179
Phoenix	481	450	433	445
Salt Lake City	375	342	343	292
Pacific	243	263	258	213
Los Angeles	180	172	173	155
Sacramento	470	488	481	417
San Bernadino	N.A.	322	316	257
San Diego	442	687	638	427
San Francisco	252	269	265	211
Seattle	250	246	244	221
Percentage of papers with rising volume	59	76	41	80
Unemployment rate	5.9	6	5.9	6.9

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	103.9	101.0	101.1	106.1	104.8	105.8	100.4	103.1	100.0	99.1	105.4	97.0
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8r	105.8p

Buying Plans Index

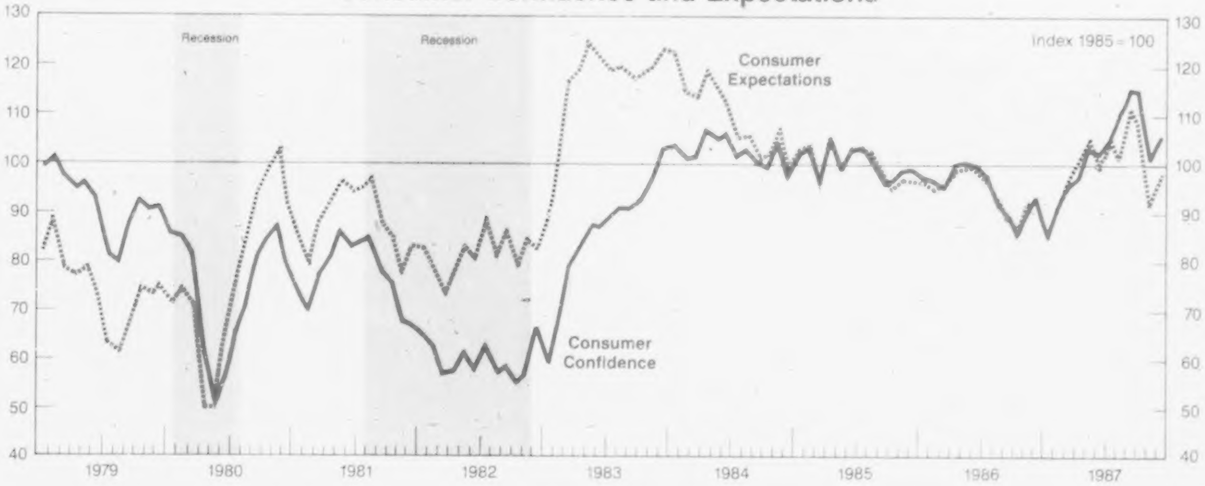
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1984	99.2	98.0	90.7	98.6	102.5	104.9	89.5	95.5	83.5	92.7	96.0	91.9
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7	104.9	102.5r	90.9p

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

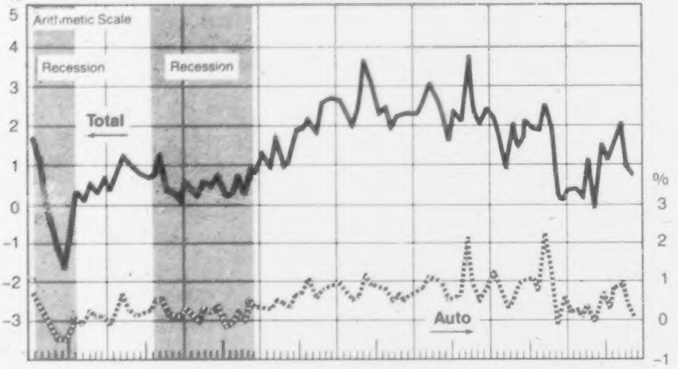
Consumer Confidence and Expectations



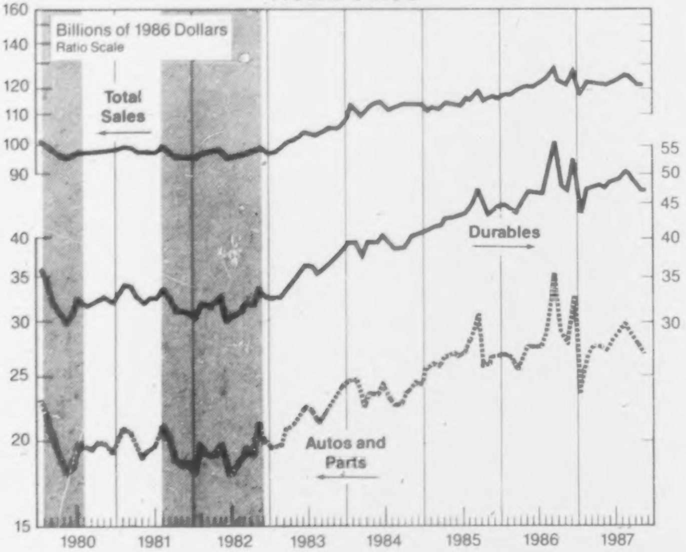
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



REVISED

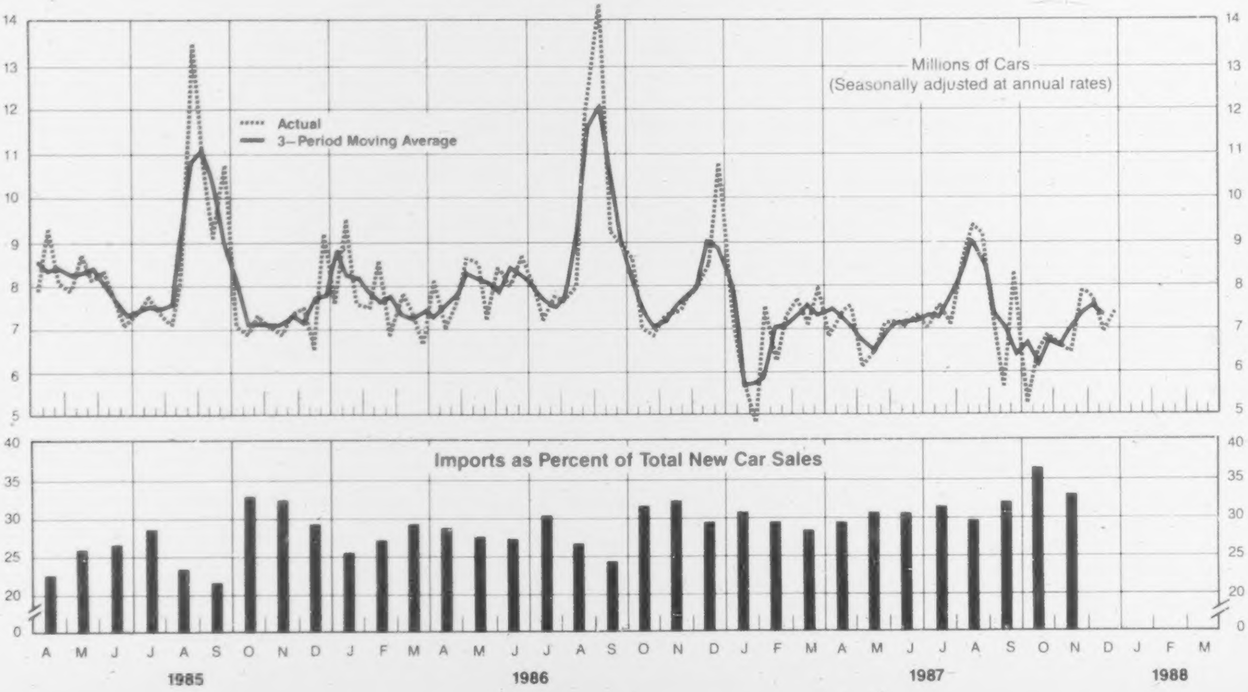
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1984	1985	1986	1987
January:	1-10	8.16	8.23	7.61	7.42
	11-20	7.84	8.00	9.45	5.97
	21-31	9.15	7.77	7.57	3.80
February:	1-10	7.79	7.24	7.56	7.46
	11-20	9.17	7.70	8.55	6.34
	21-28(29)	7.60	9.17	6.80	7.28
March:	1-10	7.35	8.09	7.76	7.60
	11-20	8.13	8.90	7.37	7.08
	21-31	7.35	8.52	6.69	7.99
April:	1-10	8.88	7.87	8.09	6.87
	11-20	7.96	9.24	7.07	7.35
	21-30	8.60	8.03	7.55	7.57
May:	1-10	8.19	7.91	8.63	6.17
	11-20	7.74	8.76	8.56	6.43
	21-31	8.43	8.09	7.22	7.08
June:	1-10	7.22	8.33	8.40	7.14
	11-20	8.25	7.66	8.00	7.10
	21-30	8.10	7.08	8.60	7.27
July:	1-10	9.51	7.38	8.04	7.04
	11-20	8.32	7.75	7.15	7.54
	21-31	8.59	7.38	7.77	7.11
August:	1-10	7.33	7.11	7.63	8.55
	11-20	8,07	8.06	7.95	9.32
	21-31	7.43	13.41	11.80	9.15
September:	1-10	8.13	10.93	14.95	7.20
	11-20	8.52	9.10	9.25	5.71
	21-30	6.03	10.69	8.91	8.29
October:	1-10	7.83	7.01	8.60	5.25
	11-20	7.07	6.84	7.00	6.47
	21-31	7.70	7.32	6.88	6.86
November:	1-10	6.60	7.04	7.26	6.68
	11-20	8.44	6.88	7.39	6.44
	21-30	6.57	7.31	7.69	7.88
December:	1-10	8.75	7.49	7.88	7.72
	11-20	7.96	6.60	8.42	6.93
	21-31	8.19	9.12	10.71	7.33

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND IS SLUGGISH:
  HOME BUYING IS DOWN, CAR SALES ARE FLAT AND
  CONSUMERS TAKE ON A WAIT-AND-SEE ATTITUDE
- NEW ORDERS CONTINUE TO BOLSTER PRODUCTION
- BUT INVENTORY BUILD-UP IS WORRISOME
- EXPORT GROWTH REMAINS THE ECONOMY'S BRIGHT SPOT
- OUTLOOK * ECONOMIC GROWTH SLOWING SHARPLY IN THE FIRST HALF OF 1988 BUT NO RECESSION

Volume 21, No. 2, February, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Now in its sixth year, the U.S. economic expansion appears to be losing momentum. The slow down is most visible in home and car buying, where sales are weak. And, the growth in consumer spending on other items is falling off. In contrast, production schedules have been relatively bullish in response to a high ordering rate and a pickup in exports.

The run-up in inventory may be signalling production excesses. That, plus a drop in business executives confidence, suggests that planned production levels may be trimmed. This is consistent with indications that employers are scaling down their hiring plans.

Some earlier concerns about the post-crash economy appear to have receded—for example, the threat of more inflation. In a slower paced economy, fears of overheating would appear less warranted. There would also be less concern about developing labor market shortages leading to higher wage hikes. Notwithstanding the slower growth scenario, the positive aspects of the economy (including higher new orders and rising exports) still appear to outweigh the negatives, ruling out recession in the first half of 1988.

DOMESTIC MARKET MONITOR

Labor market signals are mixed right now. Job growth in January was high enough to offset a strong rise in total labor force participation. But, four negative factors stand out: The labor force participation of adult white men has been flat in recent months; one-third of the new jobs in January were part-time work; unemployment claims have risen; and help-wanted advertising has begun to decline.

Even though employment gains were better than anticipated in January, expectations of a weakening labor market remain unchanged. The Conference Board's **Help-wanted Index** fell to 155 (1967 = 100) in December, from 162 in November. Early returns to the January survey suggest that this measure of labor demand is on a downward trend. Finally, the median of the Economic Forecasts shows that the national unemployment rate will gradually rise to about 6.2% by mid-year.

Currently, the weak areas in employment are concentrated in the most cyclically sensitive sectors. Jobs in the motor vehicle industry were 1.4% lower in January than in November; jobs in "other" durable manufacturing were 2.1% lower; and construction jobs were level. Moreover, in January, total hours worked in manufacturing and construction were lower than in November.

INCOME: Through December, strong income gains resulted largely from higher employment and hourly pay hikes. Wages in commodity-producing industry and in the "other" industry category were 1.8% higher in December than three months earlier. Wage income growth continued in January, albeit at a moderating pace. The average hourly pay rate in private industry was $9.14 in January, two cents above November's rate, and there was a modest overall rise in hours worked.

Nonwage income growth has been stronger than the rise in wage income. Despite some declines in interest rates, interest income was 3.1% higher in December than three months earlier. Rents, dividends and shopkeepers' income have also been rising at a moderate clip.

Consumer borrowing remains sluggish. The net rise in auto and revolving loans was a little higher in December than it had been in the prior two months. That gain in net borrowing resulted in a rise in the ratio of **Consumer Installment Debt Expansion to Personal Income** in December, reversing the declining trend underway since mid-1987. But auto sales were soft in January, suggesting a decline in auto loans; and consumer indebtedness most likely resumed its downward trend.

Consumer attitudes remain in a holding pattern. The Conference Board's **Consumer Confidence Index** reached a high of 115.1 (1985 = 100) in October. This series has bounced around in the post-crash period. At 110 in January, the overall index suggests that some erosion in attitudes has taken place. This is consistent with data on consumer unwillingness to take on debt.

SPENDING: The long-lived expansion of consumer demand appears stalled. Retail sales, except autos, were only 0.2% higher in January than in December. Durable sales, except cars, were 0.8% higher, but nondurable sales were flat. The only strength in consumer buying at present is in nonretail spending. Moreover, consumer confidence appears to be wavering and could become depressed by bad news on the labor front. Wage income growth may begin to falter.

New domestic **Automobile Sales** remain disappointing. The sales pace in January was marginally lower than December's lackluster performance. In fact, motor vehicle employment has already been scaled back; and auto makers seem resigned to further production cuts. New promotional campaigns probably would not spur sales and, therefore, are not in the offing.

CONSTRUCTION: To date, the drop in mortgage rates has simply kept home sales from declining further. New single-family home sales were lower in December, 1987 than at any time over the last two years. In fact, sales in December were one-third lower than in April, 1986. The prospects of some drop in consumer confidence, and slower growth in wage income, suggest that the prolonged slump in housing has yet to run its course.

New single-unit housing starts and permits for new construction continued to fall in December. The same was true

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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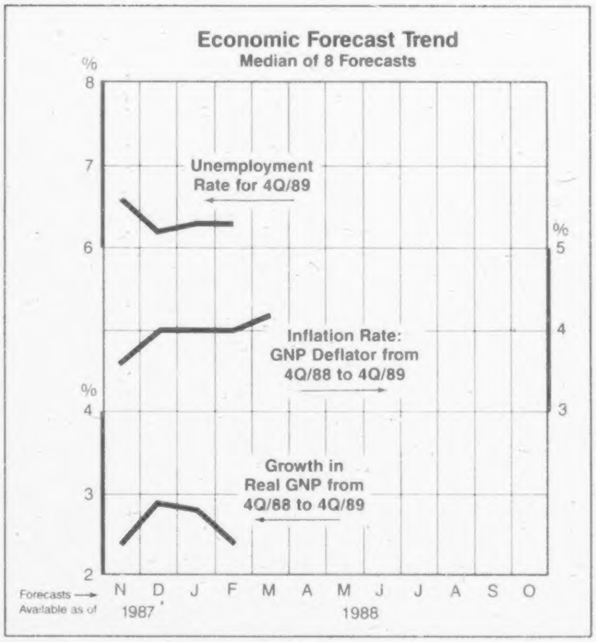


for multi-unit dwellings. The drop in construction jobs in January suggest no change in trend.

Some nonresidential construction began to recover late in 1987. For example, office building was 4.1% higher in December than three months earlier. Commercial building was flat and industrial building was still declining, however. Public building was also declining but work on roads and other infrastructure was up sharply. The modest gains in nonresidential construction through December, coupled with declines in construction jobs in January, reflect the severity of inertia in the housing market.

PRODUCTION: The news here is checkered. On the plus side, total output was 1.8% higher in December than three months earlier: raw material output was 2.3% higher; semi-finished goods were up 1.8 percent. It is interesting to note that finished consumer goods were 1.6% higher, despite signs of weakening demand. On the negative side, the drop in manufacturing employment and in hours worked in January, especially in durable goods industries, suggests the start of a down trend.

The key to the production outlook will lie in the performance of new orders. Total orders for durable goods, except defense related, were 6.5% higher in December than three months earlier. The strength in orders remains centered in the primary-processing stage: orders for primary metals were 13.5% higher, while orders for finished machinery were up by only 0.8 percent.

INVENTORY: The paradox here is inventory buildup despite the rise in new orders. Total inventory, except cars at the retail level, was 2.4% higher in November than three months earlier. Total durable inventory, except cars, was 2.6% higher. And poor sales are resulting in more unsold cars. Overall, inventory is rising faster than sales, causing Inventory-to-Sales ratios to inch higher. The fact that a little more production is winding up on the shelf than anticipated may be a factor in production cutbacks.

INFLATION: The consensus of the **Economic Forecasts** is that the CPI is rising by about a 2.8% annual rate in the first quarter of 1988 and will quicken to about a 4% to 4.5% rate by the fourth quarter of 1988.

The data on new orders reflect a strong demand for raw materials but commodity price levels remain depressed. The index for raw industrial prices fell 0.3% in December, following a 0.7% decline in November.

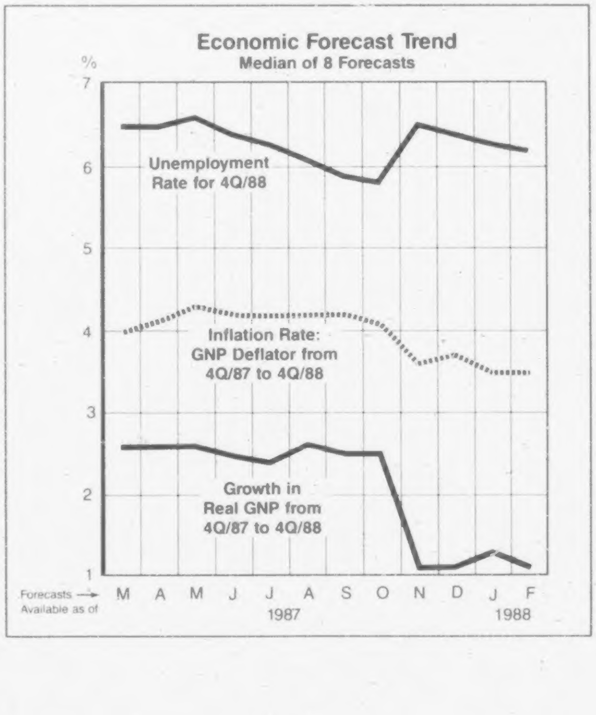
Nor are prices rising at the wholesale level. Prices of wholesale goods fell 0.4% in December, after being flat in November. Prices of materials, except food and energy, fell 2.1%, after no change in November.

INTERNATIONAL MONITOR

The rise in imports remains quite strong. Total imports were 5.5% higher in December than three months earlier. But imports of manufactured goods were 8.1% higher, largely due to rising shipments of aircraft and motor vehicles.

The sharp increase in exports is a little deceiving. Total exports were 18% higher in December than three months earlier. But exports of manufactured goods rose by half that rate. Nevertheless, higher export shipments were widely diffused throughout the developed world, and to many of the developing economies.

Ken Goldstein
February 10, 1988

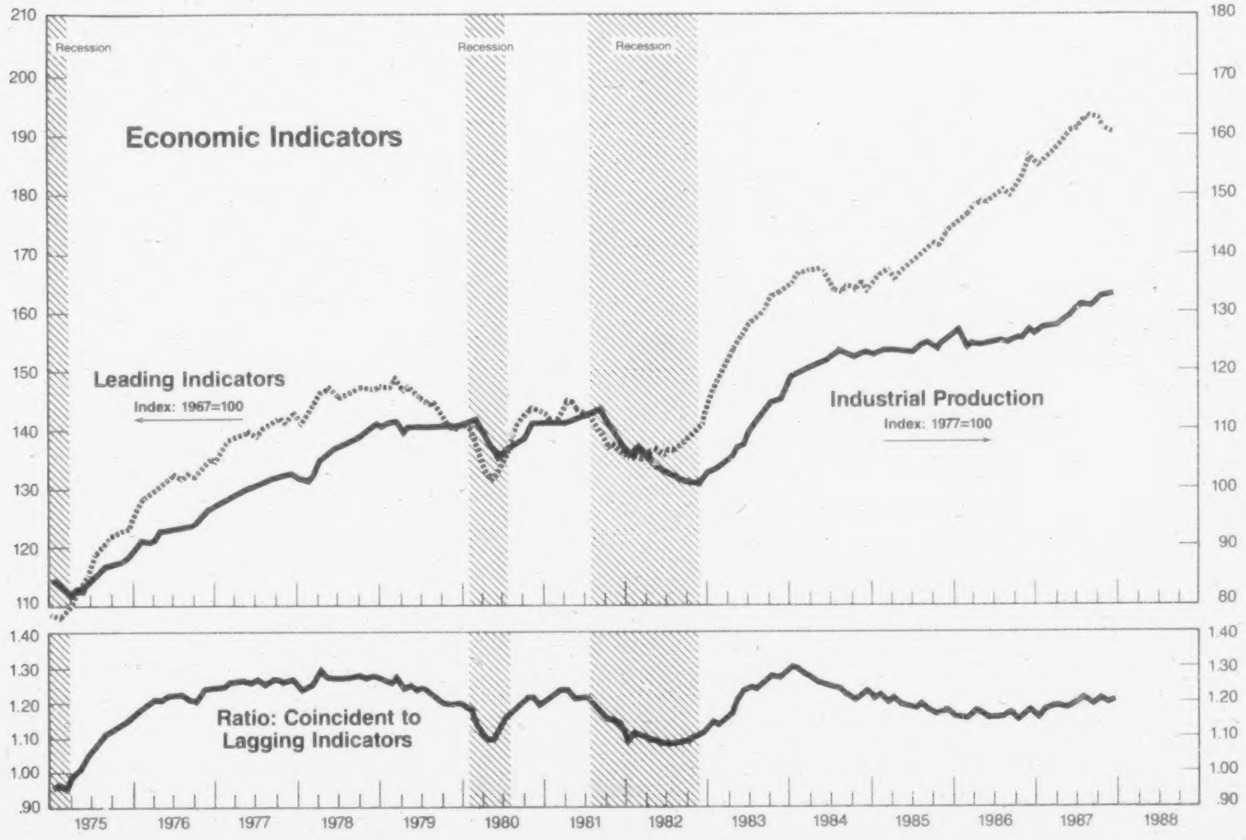


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Dec.			X	– 1.4%	2.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Dec.	X			9.1%	12.0%
New orders, nondefense capital goods (deflated)	Dec.	X			10.8%	14.5%
*New business formation	Dec.	X			1.5%	2.2%
*Housing permits	Dec.			X	– 9.4%	–26.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Dec.		X		2.6%	3.2%
*Change in inventory, on hand & order (deflated)	Nov.	X			8.3%	47.0%
Purchasing agents' buying policy	Jan.			X	– 4.0%	3.0%
*Vendor performance, reported slower deliveries	Dec.		X		2.0%	15.0%
Industrial raw materials prices	Jan.		X		– 0.6%	15.8%
*Change in sensitive material prices	Dec.		X		0.2%	0.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Dec.		X		– 0.1%	– 1.0%
Change in business loans	Dec.	X			71.7%	– 8.4%
*Change in credit outstanding	Nov.			X	1.5%	2.1%
Change in consumer installment debt	Nov.			X	–33.4%	–17.3%
Profitability						
Total corporate profits, after tax (deflated)	3rd.Q	X			5.2%	6.1%
*Common stock prices	Jan.			X	–11.1%	– 5.8%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.			X	– 0.5hr	– 0.7hr
*Initial unemployment claims (inverted)	Jan.			X	–23.2%	2.5%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.

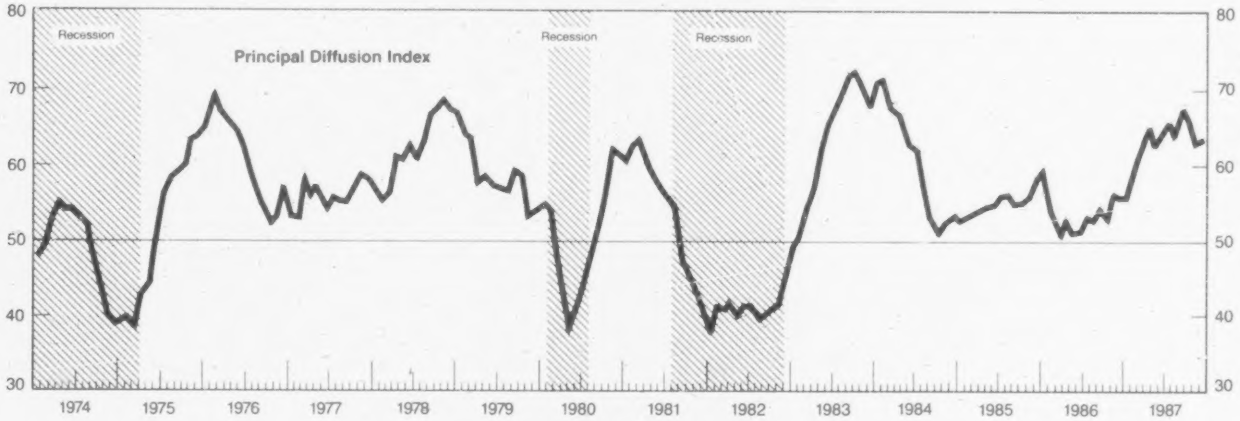


CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1986 Dec.	1987 Sept.	Oct.	Nov.	Dec.(e)
Principal Diffusion Index	56.9	67.2r	66.0r	62.3r	63.3
Auxillary Diffusion Index	51.6	54.2r	46.0r	38.0r	53.2
Industrial Group	55.0	66.2r	67.1r	63.9r	63.7
Nonindustrial Group	58.8	68.2	64.9	60.7r	62.9
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.1	70.1	69.7	69.2r	74.4
Labor	55.9	62.9r	65.8r	63.7r	57.6
Miscellaneous	43.6	68.6	66.7	56.4	62.8
Nonindustrial Subgroups					
Prices	71.8	81.4	76.3	63.5	59.6
Consumer	65.0	75.6	70.1	64.5	69.2
Building	37.8	54.5	46.8	46.8	46.8
Miscellaneous	58.1	61.1	64.1	64.3r	69.7

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Feb.	*May*	*Aug.*	*Nov.*	*1986* Feb.	*May*	*Aug.*	*Nov.*	*1987* Feb.	*May*	*Aug.*	*Nov.*
	Score (scale 0-100)											
Measure of Business Confidence	61	52	51	55	61	61	50	51	55	55	59	47
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	45	53	63	61	44	50	56	55	62	50
2. Expectations for Economy, Six Months Ahead	61	53	53	56	62	62	52	51	54	53	56	43
3. Expectations for Own Industry, Six Months Ahead	61	55	54	56	59	60	54	53	56	56	58	48

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1986				1987		
	I	II	III	IV	I	IIr	IIIp
1000 LARGEST MANUFACTURING FIRMS							
New appropriations	23.386	19.991	20.203	22.097	21.441	32.257	30.872
Capital expenditures	23.566	24.309	22.452	23.299	20.801	20.933	25.817
Change in appropriations backlog*	−2.368	−6.447	−5.060	−10.993	− 0.550	+ 5.460	+ 2.770
Durable Goods							
New appropriations	11.613	9.578	10.051	10.807	9.746	16.515	16.496
Capital expenditures	11.479	11.880	12.186	12.915	11.124	14.006	13.948
Change in appropriations backlog*	−1.582	−3.824	−3.986	−4.140	− 2.070	+ 2.310	+ 1.930
Nondurable Goods							
New appropriations	11.773	10.413	10.152	11.290	11.695	15.742	14.376
Capital expenditures	12.087	12.429	10.266	10.384	9.677	11.927	11.869
Change in appropriations backlog*	− 0.786	− 2.623	− 1.074	− 6.853	+ 1.520	+ 3.160	+ 0.844
ELECTRIC & GAS UTILITIES							
New appropriations	9.554	5.544	5.530	5.491	6.513	5.627	
Capital expenditures	8.096	7.702	7.535	6.080	7.649	7.059	
Change in appropriations backlog*	+ 1.470	− 3.840	− 2.110	− 1.005	− 0.870	− 1.700	

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

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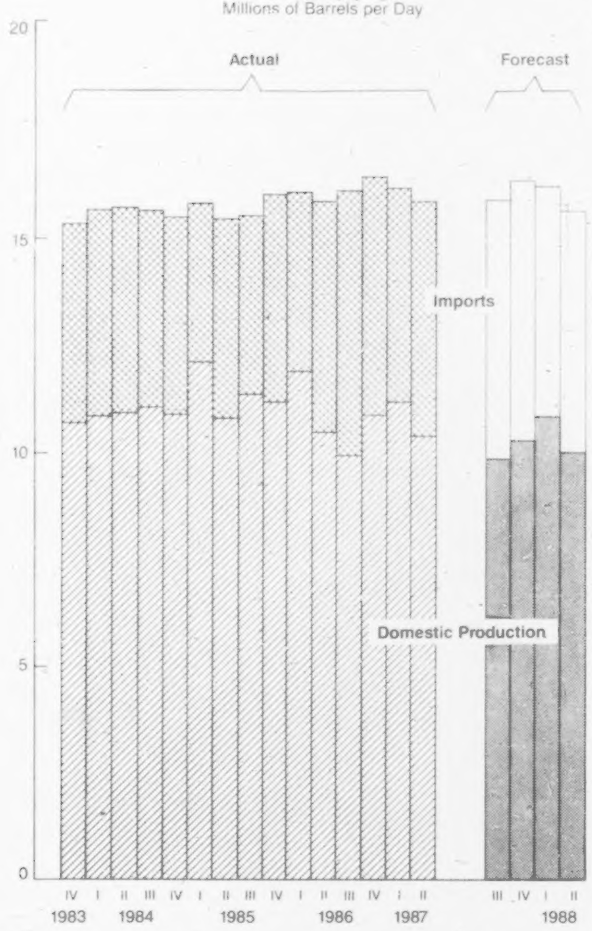
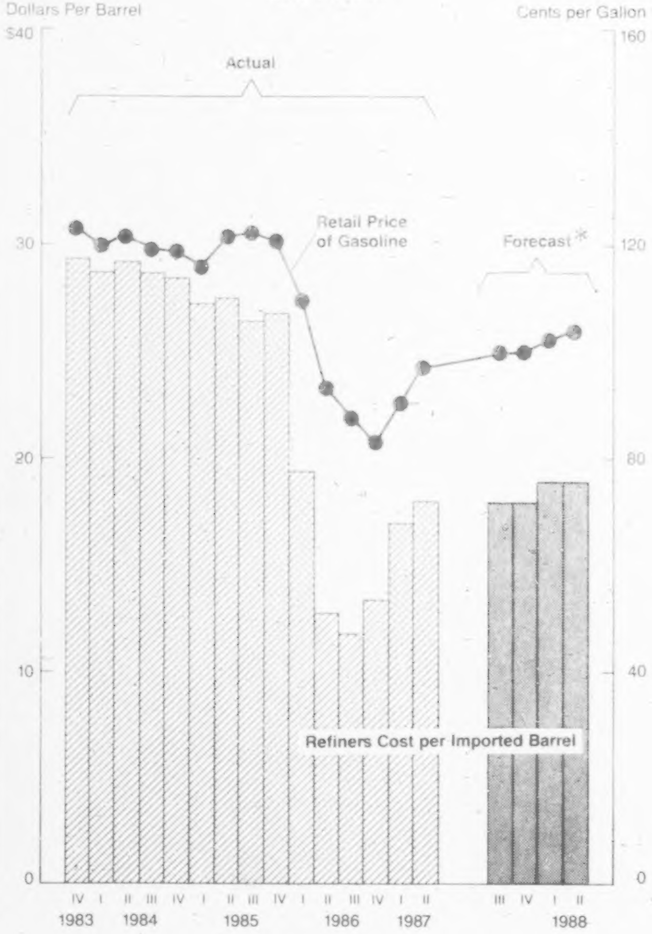
* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Oil Supply



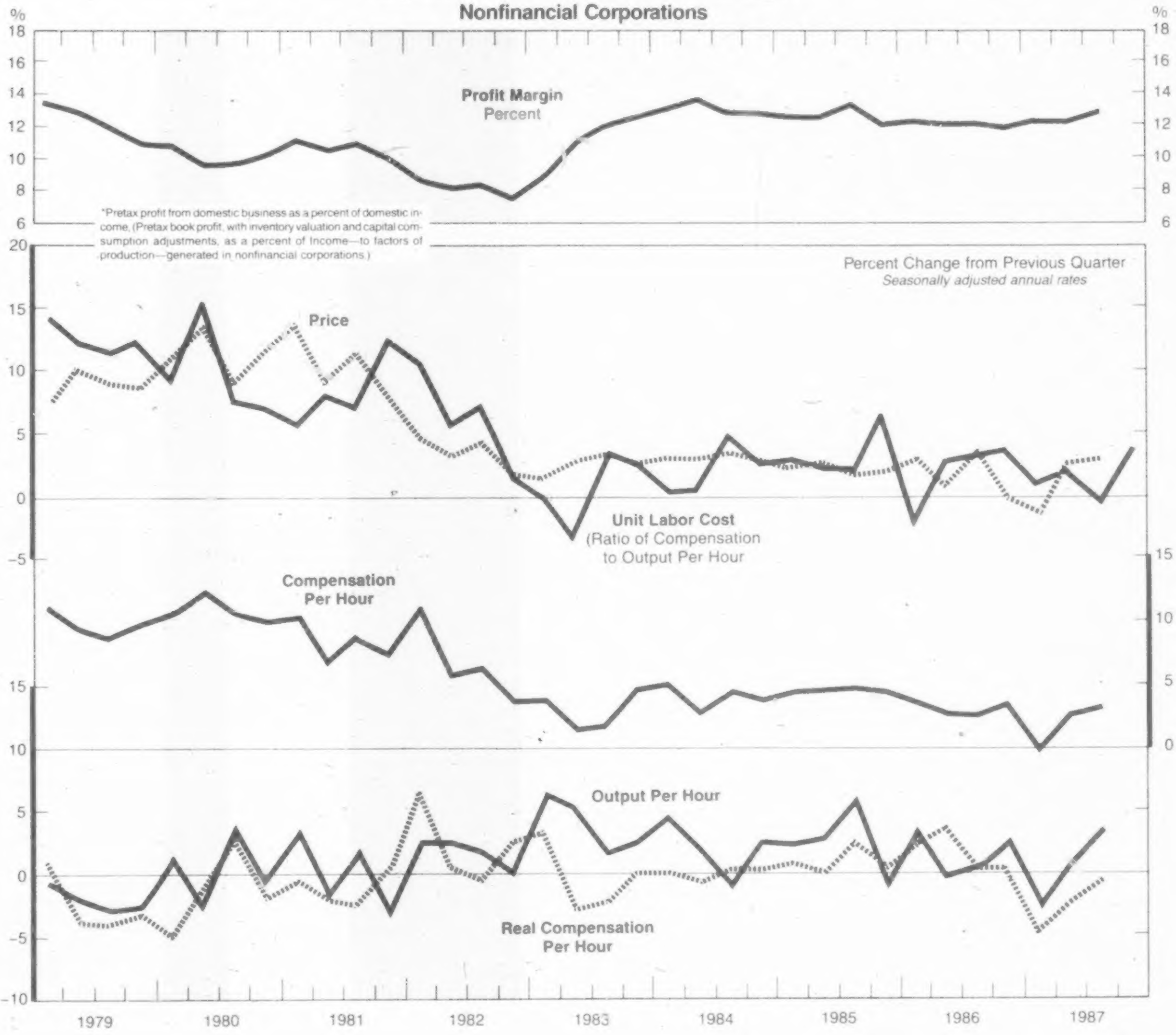
Oil Price



* Source of Forecast is The Energy Information Administration, Department of Energy.

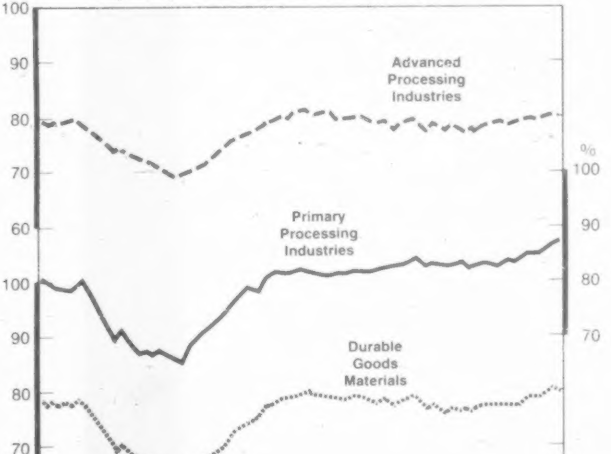
Key Determinants of Profit Margin

Nonfinancial Corporations

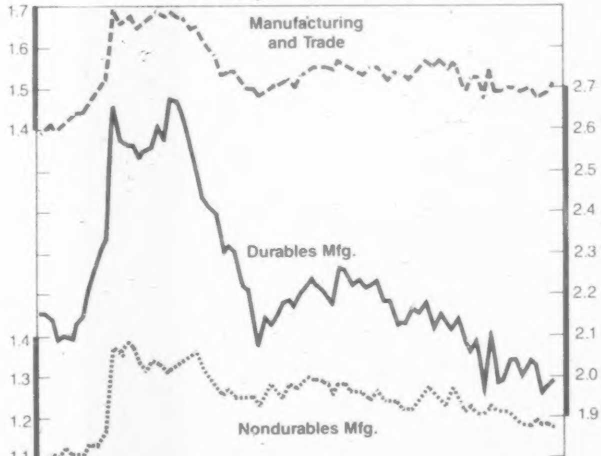


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory – Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Jan., 1988*		*Dec., 1987*		*Jan., 1988*		*Jan., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**IV**	**$4598.0**	**6.7%**			**$4598.0**	**6.7%**	**$4598.0**	**6.7%**
Forecast	1988	I	4545.2	–4.5	4638.2	3.1	4650.6	4.7	4626.3	2.5
		II	4532.6	–1.1	4700.2	5.5	4703.5	4.6	4677.8	4.5
		III	4581.0	4.3	4775.4	6.6	4751.5	4.1	4752.8	6.6
		IV	4645.8	5.8	4857.4	7.0	4804.0	4.5	4820.3	5.8
	1989	I	4745.5	8.9	4951.2	8.0	4912.5	9.3	4896.0	6.4
		II	4856.6	9.7	5009.5	4.8	4997.3	7.1	4951.6	4.6
		III	4980.3	10.6	5059.0	4.0	5080.4	6.8	5015.4	5.3
		IV	5103.1	10.2	5067.1	8.8	5193.4	9.2	5103.0	7.2
	1990	I	5184.8	6.6						
Actual	**1987**	**Annual**	**4486.2**	**5.9**	**4487.4**	**6.0**	**4486.2**	**5.9**	**4486.2**	**5.9**
	1988	Annual	4576.2	2.0	4742.8	5.7	4727.4	5.4	4719.3	5.2
	1989	Annual	4921.4	7.5	5046.7	6.4	5045.9	6.7	4991.5	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**IV**	**$3875.1**	**4.2%**			**$3875.1**	**4.2%**	**$3875.1**	**4.2%**
Forecast	1988	I	3803.8	–7.2	3858.9	–0.8	3882.0	0.7	3869.9	–0.5
		II	3767.2	–3.8	3869.5	1.1	3884.0	0.2	3880.8	1.1
		III	3778.4	1.2	3886.4	1.8	3888.0	0.4	3906.1	2.6
		IV	3801.8	2.5	3905.3	2.0	3893.0	0.5	3927.2	2.2
	1989	I	3851.3	5.3	3925.4	2.1	3930.0	3.9	3948.1	2.1
		II	3907.6	6.0	3918.4	–0.7	3963.0	3.4	3946.5	–0.2
		III	3971.9	6.7	3903.3	–1.5	3994.0	3.2	3953.8	0.7
		IV	4035.0	6.5	3933.0	3.1	4029.0	3.6	3988.2	3.5
	1990	I	4099.6	6.6						
Actual	**1987**	**Annual**	**3819.6**	**2.9**	**3817.5**	**2.8**	**3819.6**	**2.9**	**3819.6**	**2.9**
	1988	Annual	3787.8	–0.8	3880.0	1.6	3886.8	1.8	3896.0	2.0
	1989	Annual	3941.5	4.1	3920.0	1.0	3979.0	2.4	3959.2	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**IV**	**118.7**	**2.5%**		**%**	**118.7**	**2.5%**	**118.7**	**2.5%**
Forecast	1987	I	119.5	2.8	120.2	3.9	119.8	3.9	119.5	3.0
		II	120.3	2.8	121.5	4.3	121.1	4.4	120.5	3.4
		III	121.2	3.1	122.9	4.7	122.2	3.7	121.7	3.8
		IV	122.2	3.2	124.4	5.0	123.4	4.0	122.7	3.5
	1989	I	123.2	3.4	126.1	5.8	125.0	5.3	124.0	4.2
		II	124.3	3.5	127.8	5.5	126.1	3.6	125.5	4.8
		III	125.4	3.6	129.6	5.6	127.2	3.5	126.9	4.5
		IV	126.5	3.5	131.4	5.6	128.9	5.5	128.0	3.5
	1990	I	126.5	0.0						
Actual	**1987**	**Annual**	**117.4**	**3.0**	**117.5**	**3.1**	**117.4**	**3.0**	**117.4**	**3.0**
	1988	Annual	120.8	2.9	122.2	4.0	121.6	3.6	121.1	3.1
	1989	Annual	124.8	3.3	128.7	5.3	126.8	4.3	126.1	4.1
Unemployment Rate										
Actual	**1987**	**IV**		**5.9%**		**5.9%**		**5.9%**		**5.9%**
Forecast	1988	I		6.3		6.2		6.0		5.8
		II		6.7		6.2		6.2		5.8
		III		7.3		6.2		6.2		5.9
		IV		7.5		6.2		6.4		5.9
	1989	I		7.4		6.1		6.4		5.9
		II		7.3		6.3		6.3		6.0
		III		6.8		6.4		6.3		6.1
		IV		6.4		6.3		6.2		6.1
	1990	I		6.3						
Actual	**1987**	**Annual**		**6.2**		**6.2**		**6.2**		**6.2**
	1988	Annual		7.0		6.2		6.2		5.9
	1989	Annual		7.0		6.3		6.3		6.0

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[1] Based on preliminary fourth quarter data.

[2] Based on revised (2nd revised) third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Jan., 1988		*Jan., 1988*		*Jan., 1988*		*Jan., 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4598.0	**6.7%**	**$4598.0**	**6.7%**	**$4598.0**	**6.7%**	**$4598.0**	**6.7%**	IV	1987	Actual
4648.0	4.4	4626.1	2.5	4633.6	3.1	4643.6	4.0	I	1988	Forecast
4697.0	4.3	4678.3	4.6	4674.2	3.6	4713.1	6.1	II		
4730.0	2.8	4762.5	7.4	4730.2	4.9	4789.4	6.6	III		
4792.0	5.3	4832.5	6.0	4801.0	6.1	4864.4	6.4	IV		
4861.0	5.9	4915.5	7.0	4900.2	8.5	4950.2	7.2	I	1989	
4920.0	4.9	4998.6	6.9	4994.6	7.9	5021.8	5.9	II		
4988.0	5.6	5088.6	7.4	5088.9	7.8	5093.1	5.8	III		
5077.0	7.3	5170.3	6.6	5189.2	8.1	5162.7	5.6	IV		
				5288.6	7.9	5236.3	5.8	I	1990	
4486.2	**5.9**	**4486.2**	**5.9**	**4486.2**	**5.9**	**4486.2**	**5.9**	**Annual**	**1987**	**Actual**
4716.8	5.1	4724.9	5.3	4709.8	5.0	4752.6	5.9	Annual	1988	
4961.5	5.2	5043.3	6.7	5043.2	7.1	5057.0	6.4	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3875.1	**4.2%**	**$3875.1**	**4.2%**	**$3875.1**	**4.2%**	**$3875.1**	**4.2%**	IV	1987	Actual
3889.5	1.5	3868.7	–0.7	3879.4	0.4	3872.7	–0.2	I	1988	Forecast
3901.2	1.2	3883.6	1.5	3882.0	0.3	3896.6	2.5	II		
3896.2	–0.5	3923.8	4.2	3895.3	1.4	3920.2	2.4	III		
3915.0	1.9	3948.7	2.6	3922.5	2.8	3947.1	2.8	IV		
3936.0	2.2	3976.1	2.8	3965.2	4.4	3978.8	3.3	I	1989	
3948.6	1.3	4005.5	3.0	4003.7	3.9	3995.7	1.7	II		
3965.0	1.7	4035.9	3.1	4038.1	3.5	4008.1	1.2	III		
3994.5	3.0	4059.4	2.3	4076.8	3.9	4019.1	1.1	IV		
				4104.6	2.8	4032.7	1.4	I	1990	
3819.6	**2.9**	**3819.6**	**2.9**	**3819.6**	**2.9**	**3819.6**	**2.9**	**Annual**	**1987**	**Actual**
3900.5	2.1	3906.2	2.3	3894.8	2.0	3909.2	2.3	Annual	1988	
3961.0	1.6	4019.2	2.9	4021.0	3.2	4000.4	2.3	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
118.7	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	IV	1987	Actual
119.5	2.9	119.6	3.1	119.4	2.7	119.9	4.3	I	1988	Forecast
120.4	3.0	120.5	3.0	120.4	3.3	121.0	3.5	II		
121.4	3.4	121.4	3.1	121.4	3.5	122.2	4.1	III		
122.4	3.3	122.4	3.4	122.4	3.2	123.2	3.5	IV		
123.5	3.6	123.6	4.1	123.6	3.9	124.4	3.9	I	1989	
124.6	3.6	124.8	3.8	124.7	3.8	125.7	4.1	II		
125.8	3.9	126.1	4.2	126.0	4.1	127.1	4.5	III		
127.1	4.2	127.4	4.1	127.3	4.1	128.5	4.4	IV		
				128.8	5.0	129.8	4.4	I	1990	
117.4	**3.0**	**117.4**	**3.0**	**117.4**	**3.0**	**117.4**	**3.0**	**Annual**	**1987**	**Actual**
120.9	**3.0**	**120.9**	**3.0**	**120.9**	**3.0**	**121.6**	**3.5**	**Annual**	**1988**	
125.3	**3.6**	**125.5**	**3.7**	**125.4**	**3.7**	**126.4**	**4.0**	**Annual**	**1989**	
								Unemployment Rate		
	5.9%		**5.9%**		**5.9%**		**5.9%**	IV	1987	Actual
	5.9		6.0		5.9		6.0	I	1988	Forecast
	6.1		6.2		5.9		6.0	II		
	6.4		6.1		6.0		6.1	III		
	6.5		6.1		6.0		6.1	IV		
	6.5		6.1		5.9		6.0	I	1989	
	6.7		6.0		5.8		6.1	II		
	6.7		5.9		5.6		6.1	III		
	6.4		5.8		5.5		6.3	IV		
					5.3		6.4	I	1990	
	6.2		**6.2**		**6.2**		**6.2**	**Annual**	**1987**	**Actual**
	6.2		6.1		5.9		6.0	Annual	1988	
	6.6		5.9		5.7		6.1	Annual	1989	

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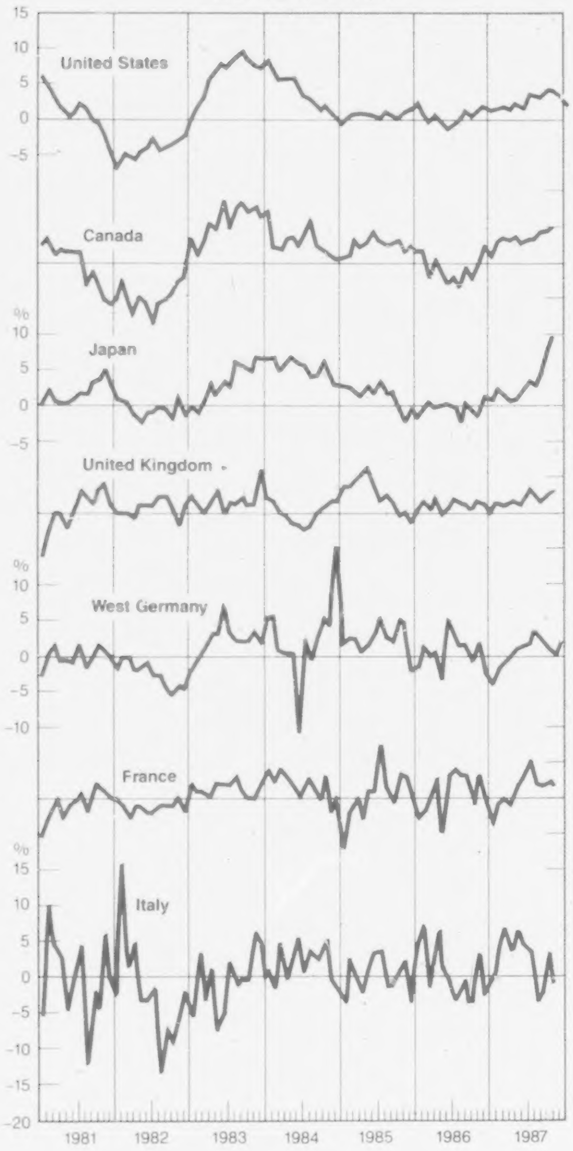
Selected International Comparisons

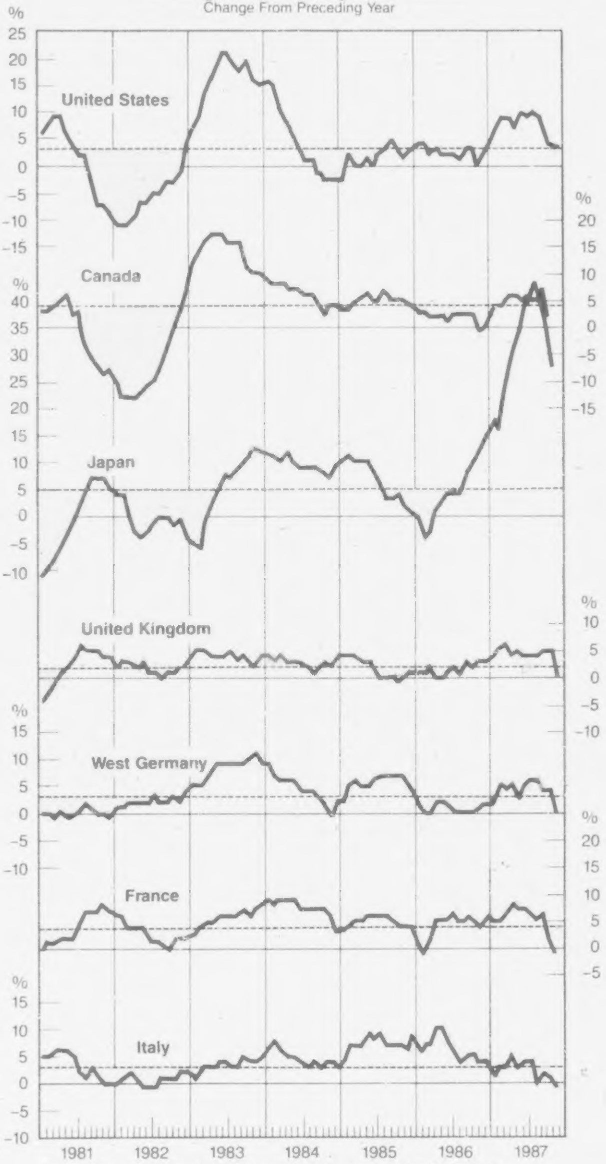
Industrial Production Indexes

Change Over Six Month Span



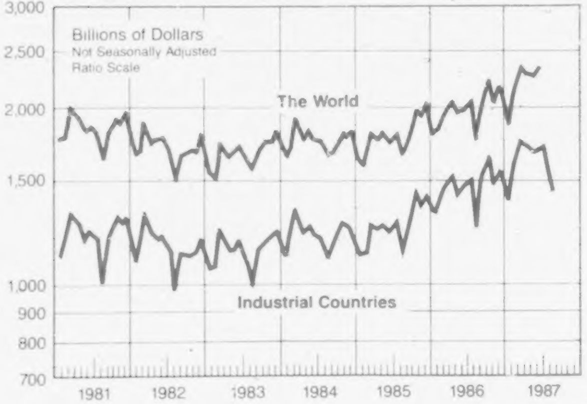
Leading Business Cycle Indexes

Change From Preceding Year

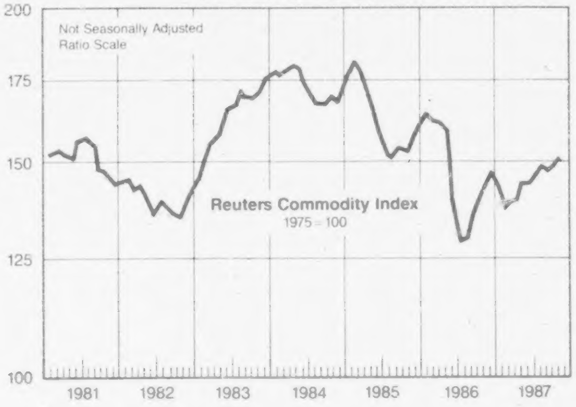


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

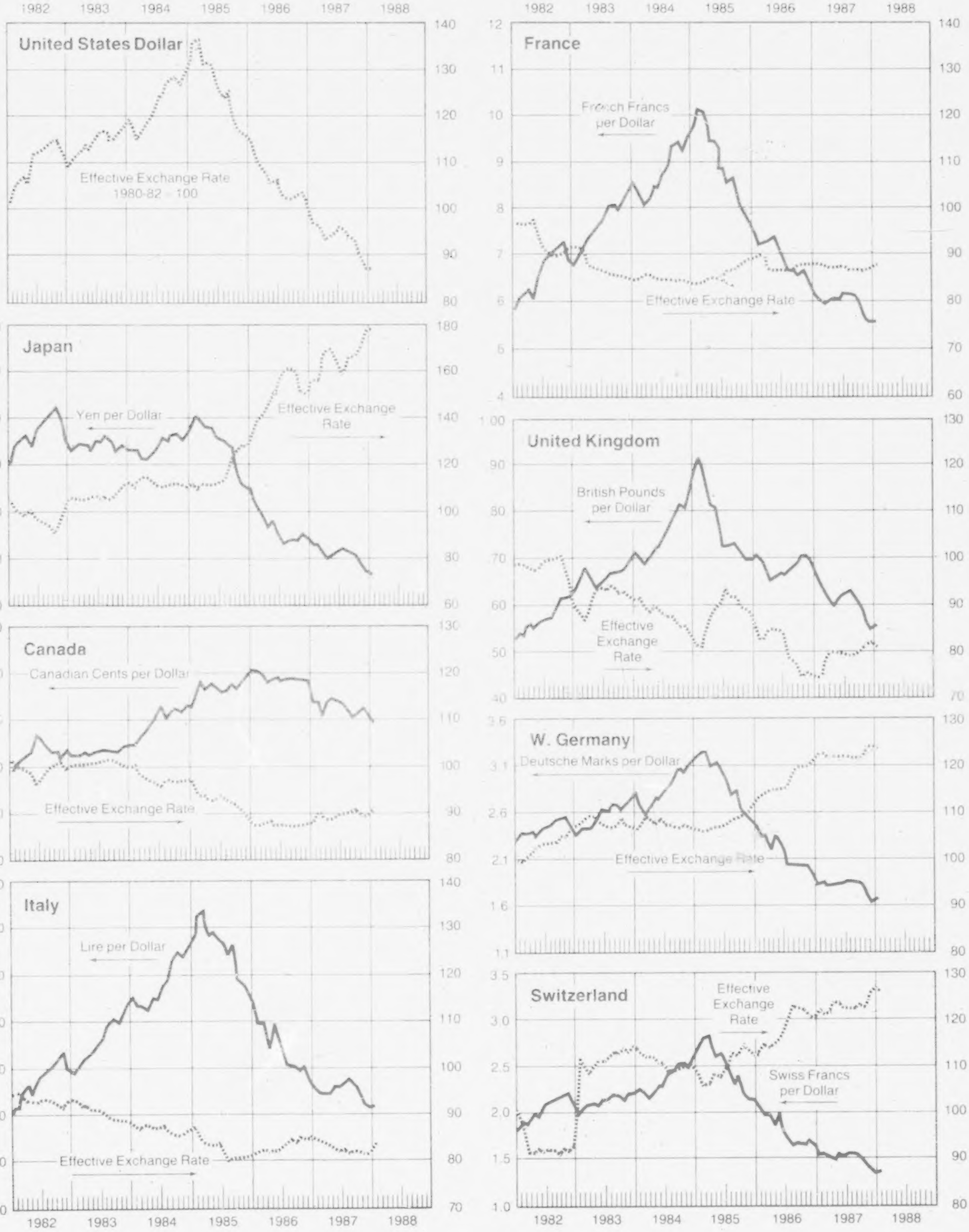


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

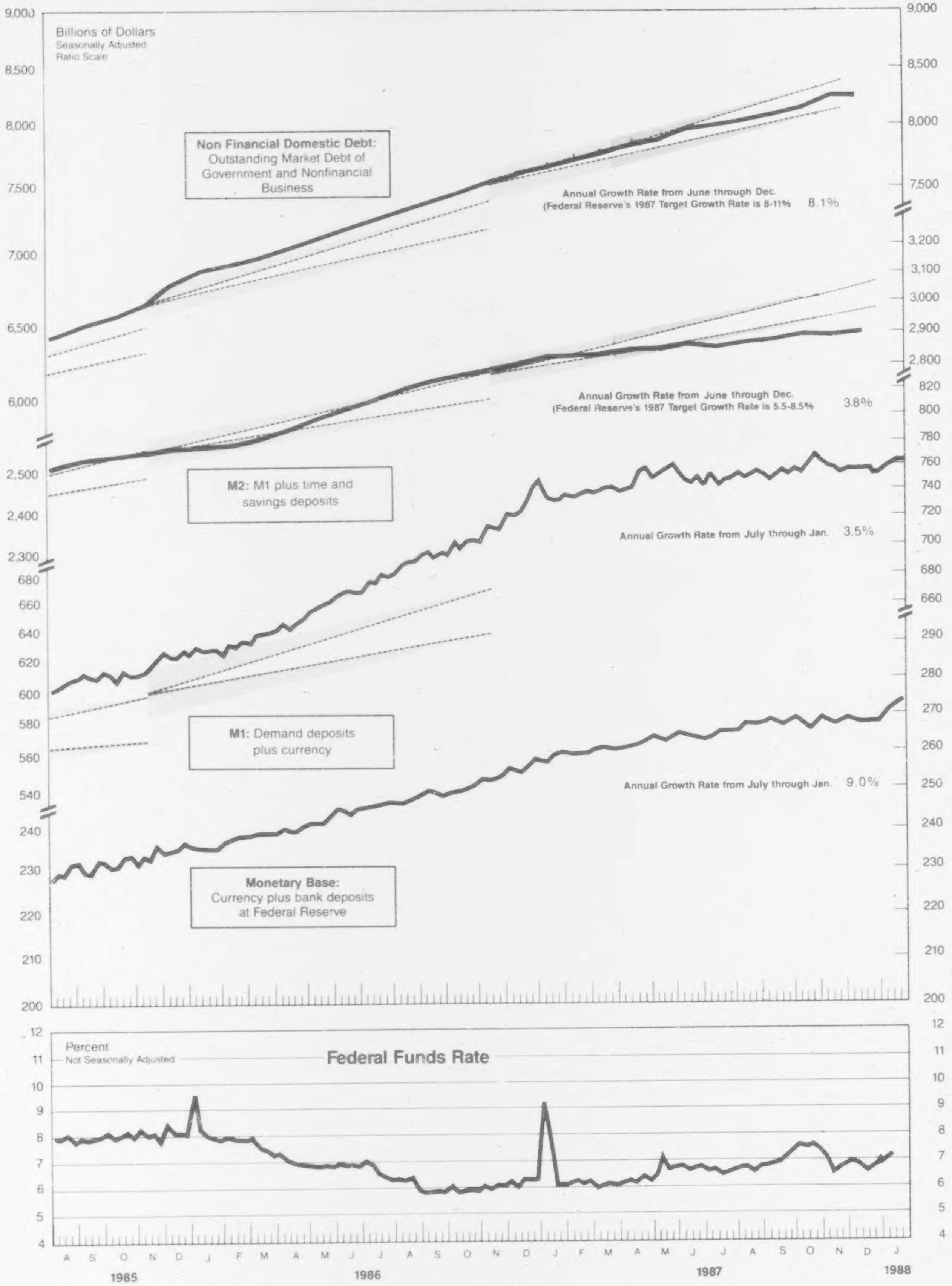
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**–220.7**	**–158.4**	**–123.3**	**–137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	– 0.7
Offsetting receipts	– 33.0	– 37.2	– 45.3	– 47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

	Fiscal 1986 Actual	Fiscal 1987 Administration's Latest Estimate	Fiscal 1988 Administration's Latest Estimate	Fiscal 1988 Congress's Latest Estimate
GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets



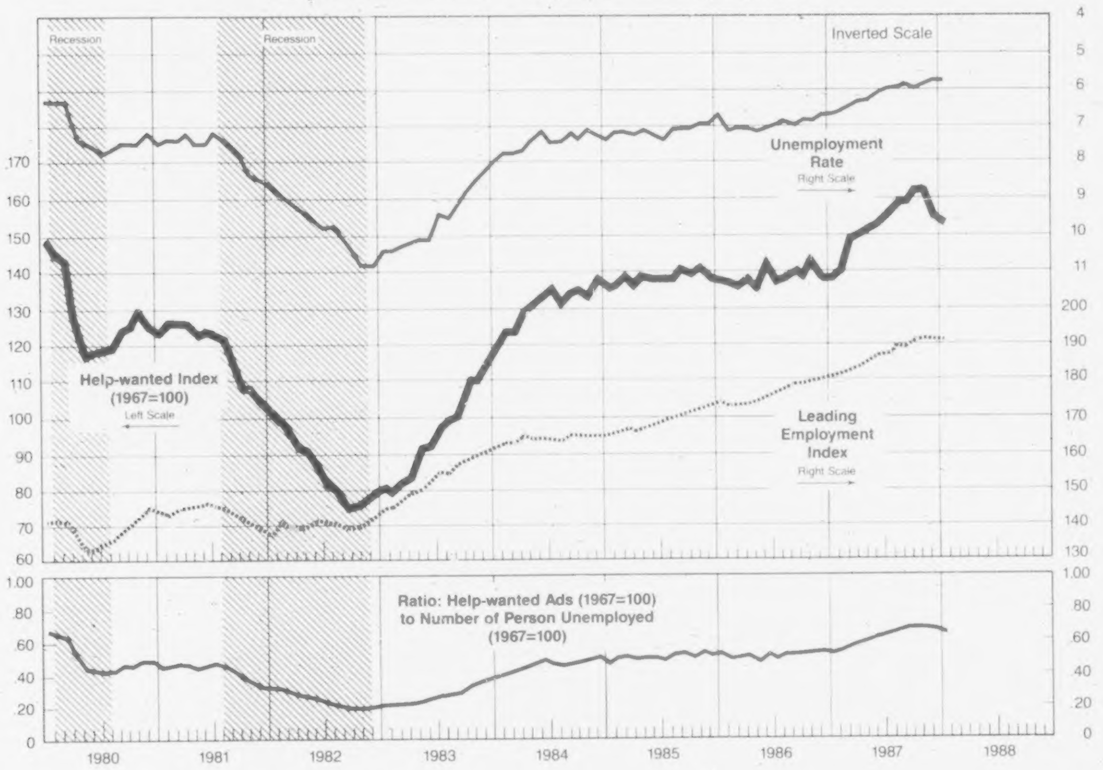
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1987			1986
Locality	Dec.	Nov.	Oct.	Dec
National Index	155	162r	162r	138r
New England	175	182	178	162
Boston	172	182	178	162
Hartford	186	192	189	178
Providence	178	171	170	147
Middle Atlantic	89	100r	95	79
Albany	227	413	311	181
Allentown	444	390r	382	342
New York	63	66	66	58
Philadelphia	75	86	81	68
Pittsburgh	91	101	93	83
Rochester	95	98	103	86
Syracuse	143	150	152	134
East North Central	99	105	106	91
Chicago	108	115	115	102
Cincinnati	151	164	165	135
Cleveland	63	70	69	59
Columbus	171	185	185	154
Dayton	80	89	90	76
Detroit	54	59	57	53
Gary	174	174	183	143
Indianapolis	112	115	115	104
Milwaukee	93	89	101	60
Toledo	127	132	131	116
West North Central	93	105	98	93
Kansas City	142	153	141	162
Minneapolis	77	95	89	73
Omaha	136	160	146	121
St. Louis	68	71	68	64
South Atlantic	222	220	239	195
Atlanta	275	293	279	252
Baltimore	289	219	350	252
Charlotte	196	218	209	165
Jacksonville	233	228	226	222
Miami	N.A.	164r	159	94
Richmond	149	163	162	146
Washington, D.C.	191	213r	206	183
East South Central	168	178r	188r	145
Birmingham	179	174	179	153
Knoxville	301	306	297	227
Louisville	92	96r	98r	86
Memphis	136	143	150	121
Nashville	207	246	286	187
West South Central	159	175	170	152
Dallas	157	156	151	150
Houston	208	246	239	202
New Orleans	128	125	119	103
Oklahoma City	107	114	116	98
San Antonio	156	156	141	149
Tulsa	89	134	140	117
Mountain	350	336	322	286
Denver	211	210	218	184
Phoenix	475	481	450	418
Salt Lake City	446	375	342	300
Pacific	251	257r	256r	218r
Los Angeles	167	180	172	148
Sacramento	456	470	488	409
San Bernadino	300	307r	322	254
San Diego	680	616r	591r	577r
San Francisco	242	252	269	210
Seattle	233	250	246	204
Percentage of papers with rising volume	27	63r	75r	20
Unemployment rate	5.8	5.9	6	6.7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

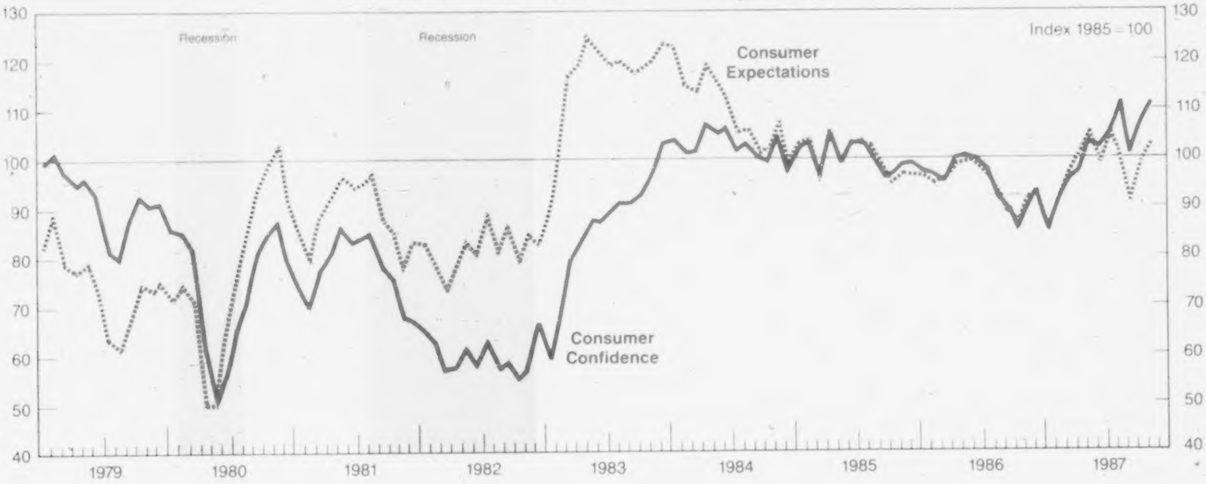
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7r
1988	110.9p											
Buying Plans Index												
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7	104.9	102.5	100.4r
1988	96.6p											

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations



CBDB

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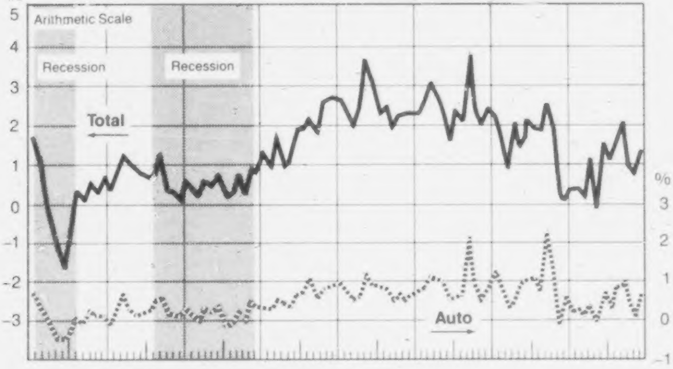
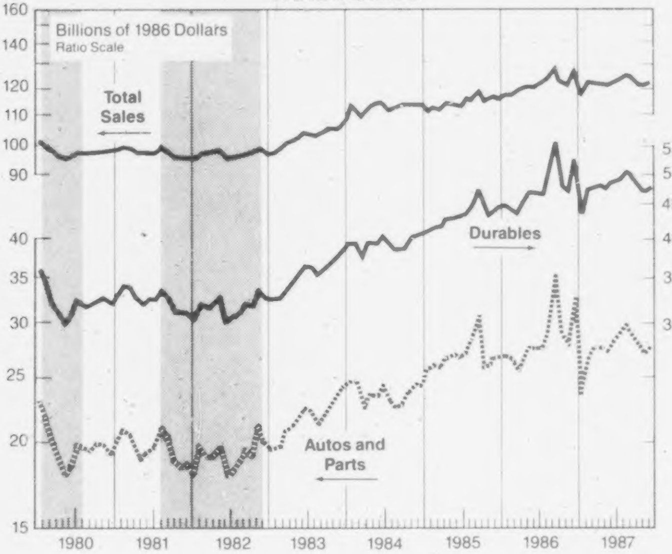
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



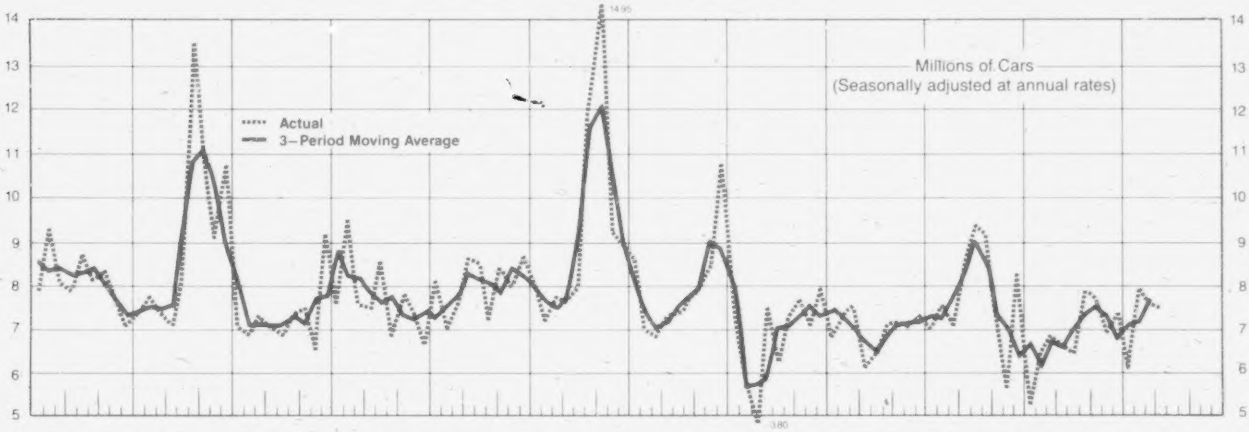
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

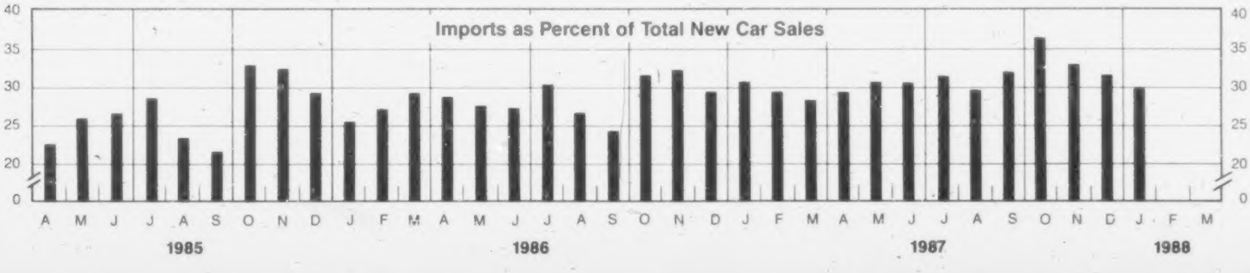
Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	
	21-28(29)	9.17	6.80	7.28	
March:	1-10	8.09	7.76	7.60	
	11-20	8.90	7.37	7.08	
	21-31	8.52	6.69	7.99	
April:	1-10	7.87	8.09	6.87	
	11-20	9.24	7.07	7.35	
	21-30	8.03	7.55	7.57	
May:	1-10	7.91	8.63	6.17	
	11-20	8.76	8.56	6.43	
	21-31	8.09	7.22	7.08	
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales





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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND IS SLUGGISH:
- WITH HOME SALES FALLING AND LITTLE RECOVERY IN CAR SALES
- YET CONSUMER OPTIMISM HAS RETURNED
- NEW ORDERS REMAIN STRONG
- AND EXPORTS CONTINUE TO RISE
- BUT SO DOES INVENTORY BUILDUP
- OUTLOOK • VERY LITTLE GROWTH IN FIRST HALF OF 1988, SLUGGISH SECOND HALF

Volume 21, No. 3, March, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The six-year U.S. economic expansion has lost some punch, but it is not yet over. Although industrial output is growing at a slower pace, both the strength of new orders and labor market indicators suggest forward momentum. Export growth remains the brightest spot on the horizon but it is not the only one. There is no indication of any significant buildup of inflationary pressures.

On the negative side, there are signs that labor demand is weakening and that scattered layoffs have occurred. Moreover, although industrial output has not been bullish, inventory is piling up. The overall rise in consumer demand appears to have softened. The weakest areas remain new home and car sales.

Nevertheless, in contrast to recessionary fears in the wake of the stock market crash, there now is some renewed concern that the economy may overheat. Analysts point out that the capacity utilization rates are in the 82%-83% range, while order books are filling up. In fact, the consensus of the **Economic Forecasts** has been revised upward over the last month. It shows real GNP growing by a still modest 1.5% to the end of 1988, from the end of 1987.

DOMESTIC MARKET MONITOR

The string of very positive labor market reports that began last October continued in February. Over this period, total employment increased by 1.9%, about evenly split between goods production and services. The proportion of the adult population holding jobs climbed from 63% in September 1987 to 64.5% in February 1988.

While new workers were hired in recent months, the average length of the workweek was shortened. Overall, total hours worked were 1.6% higher in February than in December, principally the result of gains in wholesale and retail trade and in "other" services. Total manufacturing hours were 0.1% lower. Hours worked in transportation and utilities were up modestly.

Despite employment gains, there are signs of some weakening in labor market activity. Initial unemployment claims have risen and The Conference Board's **Help-wanted Index**, a measure of labor demand, fell to 154 (1967 = 100) in January, from 162 in November. Early returns to the February survey do not indicate any improvement. Finally, the median of the **Economic Forecasts** shows that the national unemployment rate will gradually rise to about 6% by mid-year.

INCOME: New job growth and hourly pay hikes continued to provide robust gains in income in January. Wages in commodity-producing industry were 1.2% higher than three months earlier. Wages in the "other" industry category were 1.9% higher. In February, however, wage income growth may have slowed as a result of of small gains in total hours worked and very meager growth in hourly pay. The average hourly rate in private industry was $9.12 in February, compared with $9.11 in December.

Nonwage income growth remains somewhat stronger than the rise in wages. Interest income has been buoyed by a pickup in the savings rate over the last few months and an end to recent declines in interest rates. Rental income and shopkeepers' income have also risen sharply. Conversely, dividend growth, while still strong, has slowed.

The recent quickening in the growth of consumer borrowing looks substantial largely because it follows a long period of very subdued demand. The pace of borrowing in January is, in fact, close to that of a year ago. Moreover, income gains have been robust. Hence, January's ratio of **Consumer Installment Debt Expansion to Personal Income** was at the same level as June 1987.

Continued strong employment gains have moderated consumer fears following the stock market crash. Back in September, The Conference Board's **Consumer Confidence Index** stood at 115.7 (1985 = 100), a 15-year high. It then declined to 100.8 in November but was back to 113.9 in February. The recovery of the expectations component of the overall index has been more modest.

SPENDING: Despite fairly robust income gains and renewed consumer confidence (reflected not only in attitude surveys but also in the rise in installment debt), spending still appears to be faltering. Retail sales, except autos, were only 0.2% higher in February than three months earlier. Durable sales, except autos, were 2.2% higher. A large portion of January's rise in consumer debt can be explained in terms of those purchases. Nondurable sales were 0.3% lower.

At first glance, car buying currently appears to be the strongest segment of consumer demand. New domestic **Automobile Sales** picked up to a 7.9 million annual rate, seasonally adjusted, in February—from a 7.2 million rate in January. However, the latest figure remains below the 8 to 9 million rate producers anticipated, resulting in employment and production cutbacks.

CONSTRUCTION: Home buying remains the weakest segment of consumer demand. New single-family home sales were one-third lower in December 1987 than in April 1986. They then declined by 9% in January. The prices of new homes have risen by one-third since April 1986, offseting recent reductions in mortgage rates and discouraging sales. Given weak demand, new construction has been severely cutback and that has limited the rise in inventory of unsold homes in recent months.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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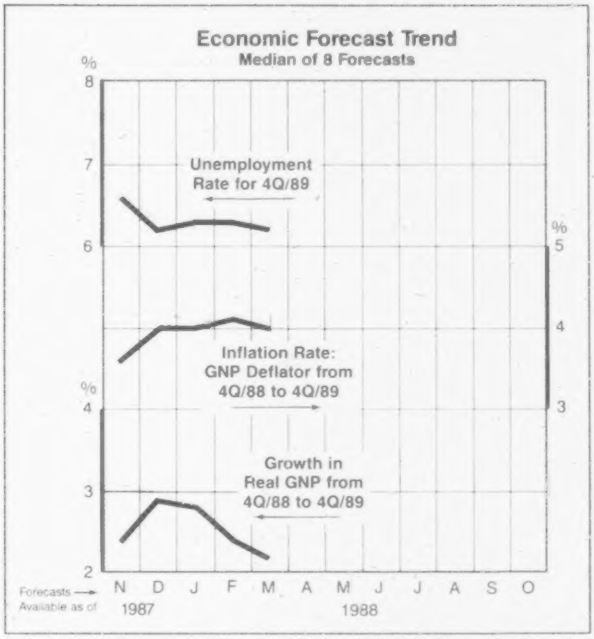


New single-unit housing starts and permits were substantially lower in January than three months earlier. Multi-unit permits were also down sharply, but starts were only marginally lower.

Recent declines in nonresidential construction have been less severe, and there are some indications that the pace of activity may pick up. Commercial building was 4.7% lower in January than three months earlier, compared to industrial building, which was only 2.6% lower, and to office building, which climbed 5 percent. Public building continues to be in a slump, while work on roads and infrastructure remains flat. The rise in construction jobs in February, however, may signal a strengthening in nonresidential construction.

PRODUCTION: The sharp rise in output has slowed. Total industrial production was 1% higher in January than three months earlier. The output of finished consumer durables was 2.8% lower, while that of finished business equipment was flat. In contrast, the output of semi-finished goods rose by 1.4% and raw material output by 1.8 percent. The flat numbers on hours worked in February suggest that some of those raw materials may not be transformed into finished product quickly.

Industrial production is expected to continue to rise, even as conditions approach full capacity. New orders for durable goods, except defense-related, were 10% higher in January than three months earlier, while shipments of filled orders were up by only 7.6 percent. Producers are being conservative about stepping up production lest the rise in orders proves ephemeral.

INVENTORY: One reason why producers haven't filled orders faster is that inventory is rising despite bulging order books. Total inventory, except cars at the retail level, was 2.5% higher in December than three months earlier. Sales were only 1.1% higher. Thus, not only is inventory piling up but the Inventory-to-Sales ratios are inching higher. Rising ratios, along with some suggestion of sluggish consumer demand, are restricting the expansion of industrial output, despite sharp increases in export demand.

INFLATION: The consensus of the **Economic Forecasts** is that the CPI, which rose at a 4% annual rate in the fourth quarter of 1987, slowed to about 3.2% (annualized) in the first quarter of 1988.

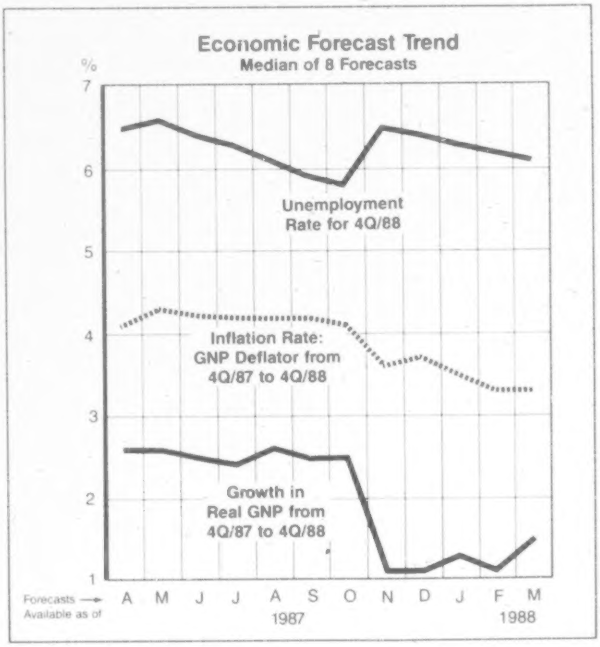
Part of the explanation lies in raw material prices. Even though overall orders are up, orders for materials are not. Prices of raw industrial materials fell in three of the last four months, for a cumulative decline of 2.3 percent. In addition, January far prices were basically flat and finished wholesale goods prices were no higher in January than in October, and only marginally above last Summer's level. Although industry is running at near capacity, the CPI is not expected to top 4.4% (annualized) in the second half of the year.

INTERNATIONAL MONITOR

The rise in imports remains quite strong. Total imports were 5.5% higher in December than three months earlier. But imports of manufactured goods were 8.1% higher, largely due to shipments of aircraft and motor vehicles.

The sharp increase in exports is a little deceiving. Total exports were 18% higher in December than three months earlier, but exports of manufactured goods rose by half that rate. On the plus side, export markets were widely diffused—with sales to both developed and developing countries.

Ken Goldstein
March 11, 1988

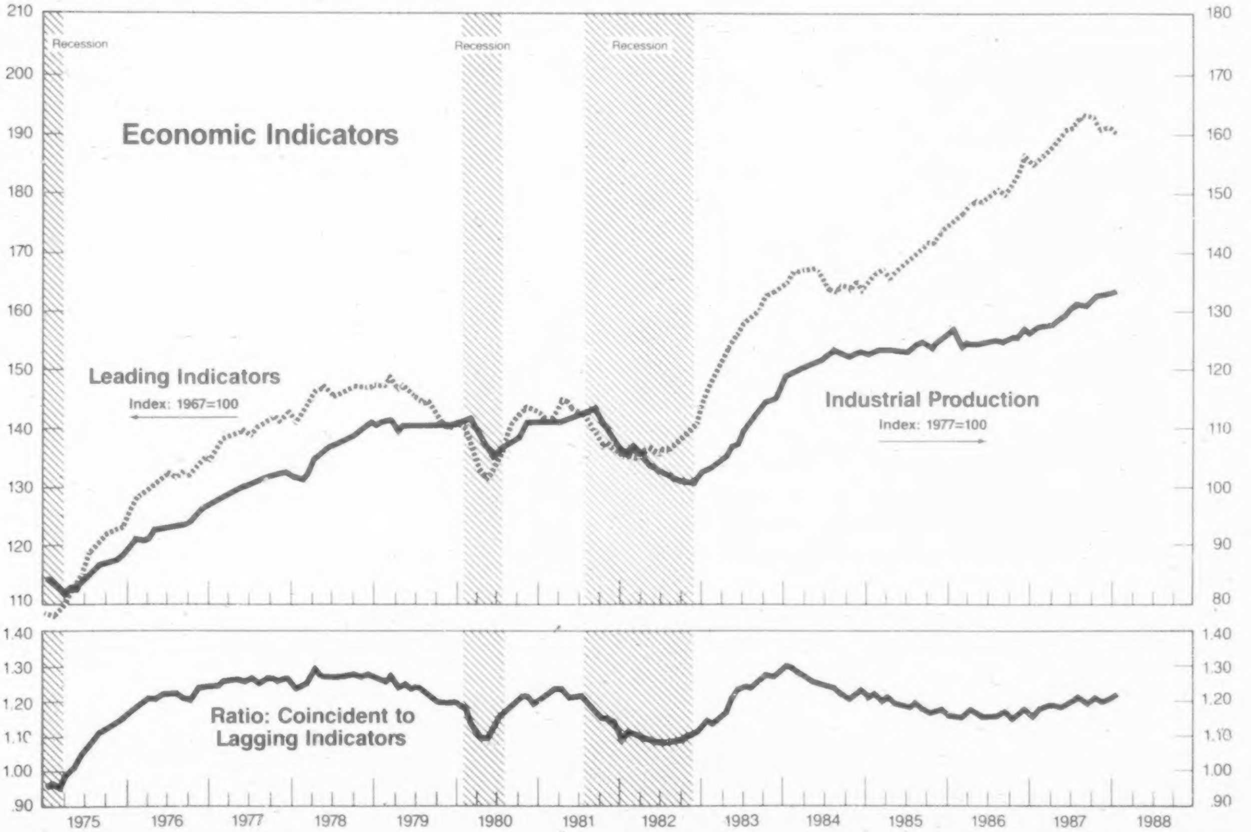


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Jan.			X	– 1.3%	2.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Jan.	X			9.3%	26.5%
New orders, nondefense capital goods (deflated)	Jan.	X			12.9%	32.4%
*New business formation	Jan.	X			4.5%	6.8%
*Housing permits	Jan.			X	–14.1%	–23.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Jan.			X	– 3.4%	2.7%
*Change in inventory, on hand & order (deflated)	Dec.	X			26.9%	48.7%
Purchasing agents' buying policy	Jan.			X	– 4.0%	– 3.0%
*Vendor performance, reported slower deliveries	Jan.		X		– 2.0%	13.0%
Industrial raw materials prices	Feb.			X	– 0.9%	17.0%
*Change in sensitive material prices	Jan.			X	– 1.0%	– 0.8%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Jan.	X	X		0.3%	– 0.6%
Change in business loans	Jan.			X	–134.6%	–218.4%
*Change in credit outstanding	Dec.	X			1.8%	– 0.2%
Change in consumer installment debt	Jan.	X			18.8%	43.9%
Profitability						
Total corporate profits, after tax (deflated)	3rd.Q	X			5.2%	6.1%
*Common stock prices	Feb.	X			5.2%	– 8.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Jan.		X		– 0.2hr	0.3hr
*Initial unemployment claims (inverted)	Jan.			X	–23.6%	2.2%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



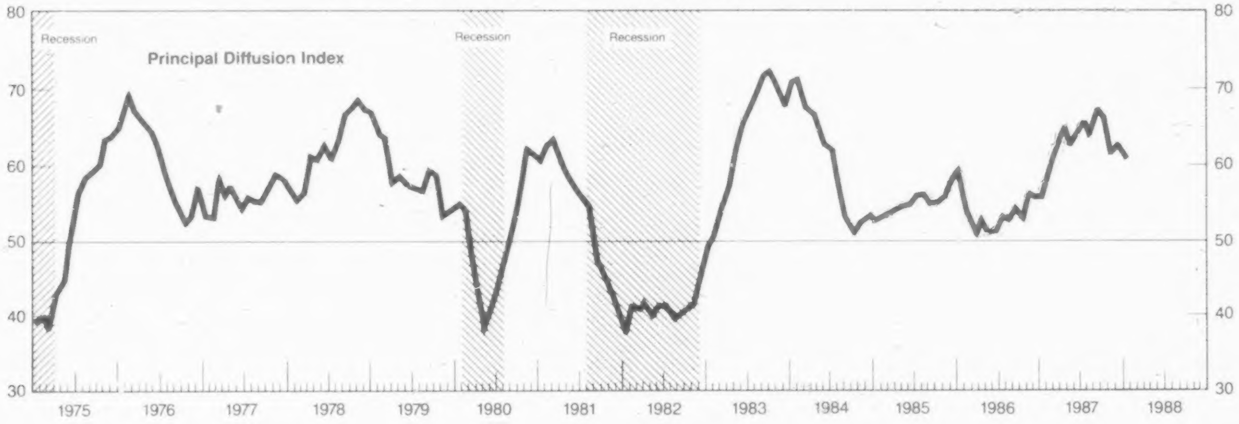
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Jan.	Oct.	Nov.	Dec.	1988 Jan.(e)
Principal Diffusion Index	56.3	66.2r	61.8r	62.1r	60.4
Auxillary Diffusion Index	48.2	47.4r	35.6r	50.9r	44.4
Industrial Group	49.7	67.4r	64.1r	63.8r	59.4
Nonindustrial Group	63.0	65.1r	59.5r	60.4r	61.3
Sense of Diffusion	0	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	52.4	69.7	69.2	74.4	68.8
Labor	54.4	66.3r	64.1r	57.8r	53.2
Miscellaneous	34.0	66.3r	56.4	62.8	60.9
Nonindustrial Subgroups					
Prices	76.9	76.3	63.5	59.6	64.1
Consumer	65.0	70.1	64.5	69.2	73.5
Building	42.6	44.2r	44.9r	45.5r	38.5
Miscellaneous	65.4	66.7r	61.5r	62.0r	62.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Feb.	May	Aug.	Nov.	1986 Feb.	May	Aug.	Nov.	1987 Feb.	May	Aug.	Nov.
	Score (scale 0-100)											
Measure of Business Confidence	61	52	51	55	61	61	50	51	55	55	59	47
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	62	48	45	53	63	61	44	50	56	55	62	50
2. Expectations for Economy, Six Months Ahead	61	53	53	56	62	62	52	51	54	53	56	43
3. Expectations for Own Industry, Six Months Ahead	61	55	54	56	59	60	54	53	56	56	58	48

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1986				1987		
	I	II	III	IV	I	IIr	IIIp
1000 LARGEST MANUFACTURING FIRMS							
New appropriations	23.386	19.991	20.203	22.097	21.441	32.257	30.872
Capital expenditures	23.566	24.309	22.452	23.299	20.801	20.933	25.817
Change in appropriations backlog*	−2.368	−6.447	−5.060	−10.993	− 0.550	+ 5.460	+ 2.770
Durable Goods							
New appropriations	11.613	9.578	10.051	10.807	9.746	16.515	16.496
Capital expenditures	11.479	11.880	12.186	12.915	11.124	14.006	13.948
Change in appropriations backlog*	−1.582	−3.824	−3.986	−4.140	− 2.070	+ 2.310	+ 1.930
Nondurable Goods							
New appropriations	11.773	10.413	10.152	11.290	11.695	15.742	14.376
Capital expenditures	12.087	12.429	10.266	10.384	9.677	11.927	11.869
Change in appropriations backlog*	− 0.786	− 2.623	− 1.074	− 6.853	+ 1.520	+ 3.160	+ 0.844
ELECTRIC & GAS UTILITIES							
New appropriations	9.554	5.544	5.530	5.491	6.513	5.627	
Capital expenditures	8.096	7.702	7.535	6.080	7.649	7.059	
Change in appropriations backlog*	+ 1.470	− 3.840	− 2.110	− 1.005	− 0.870	− 1.700	

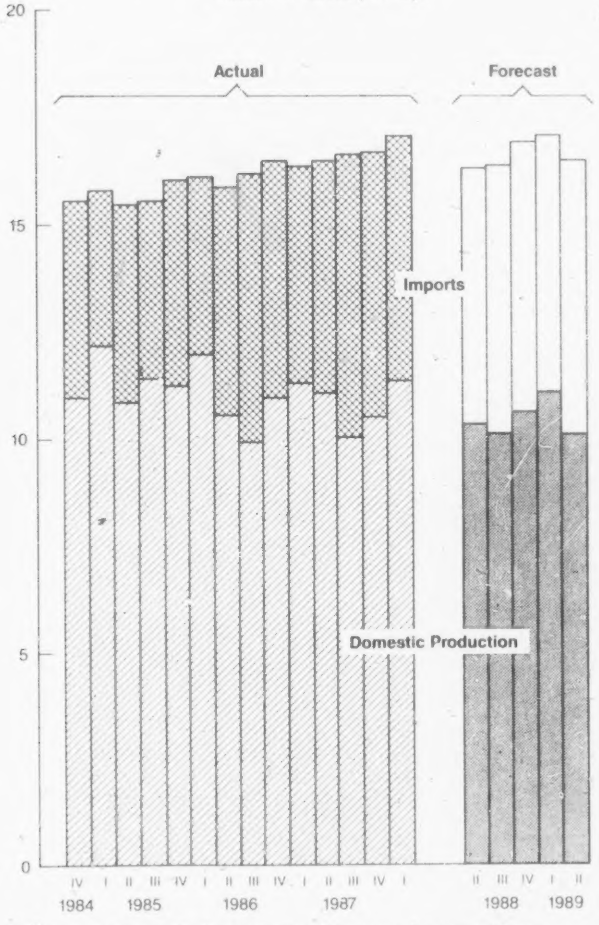
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

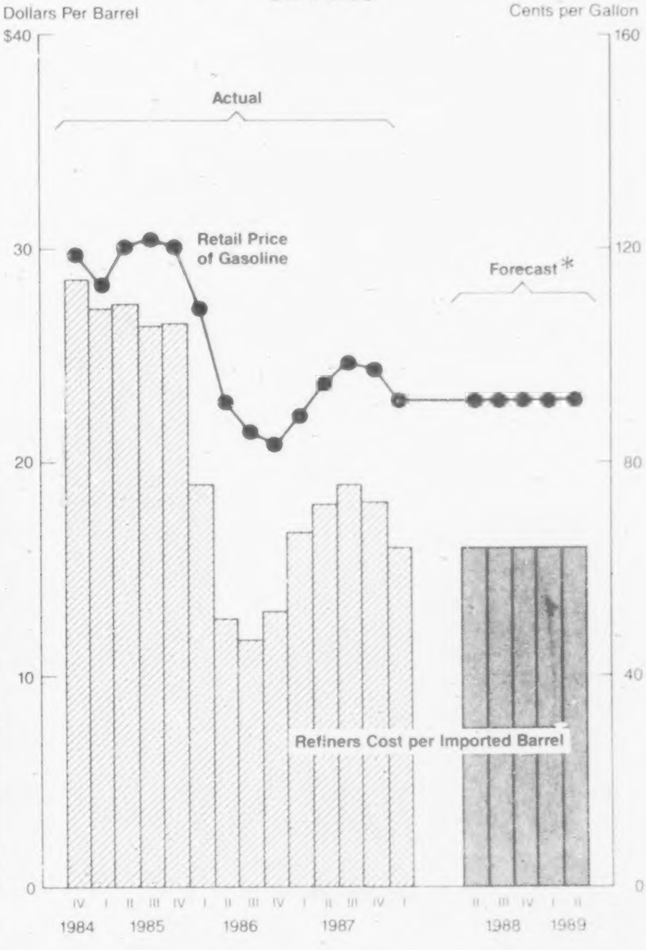
* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments)

Oil Supply

Millions of Barrels per Day



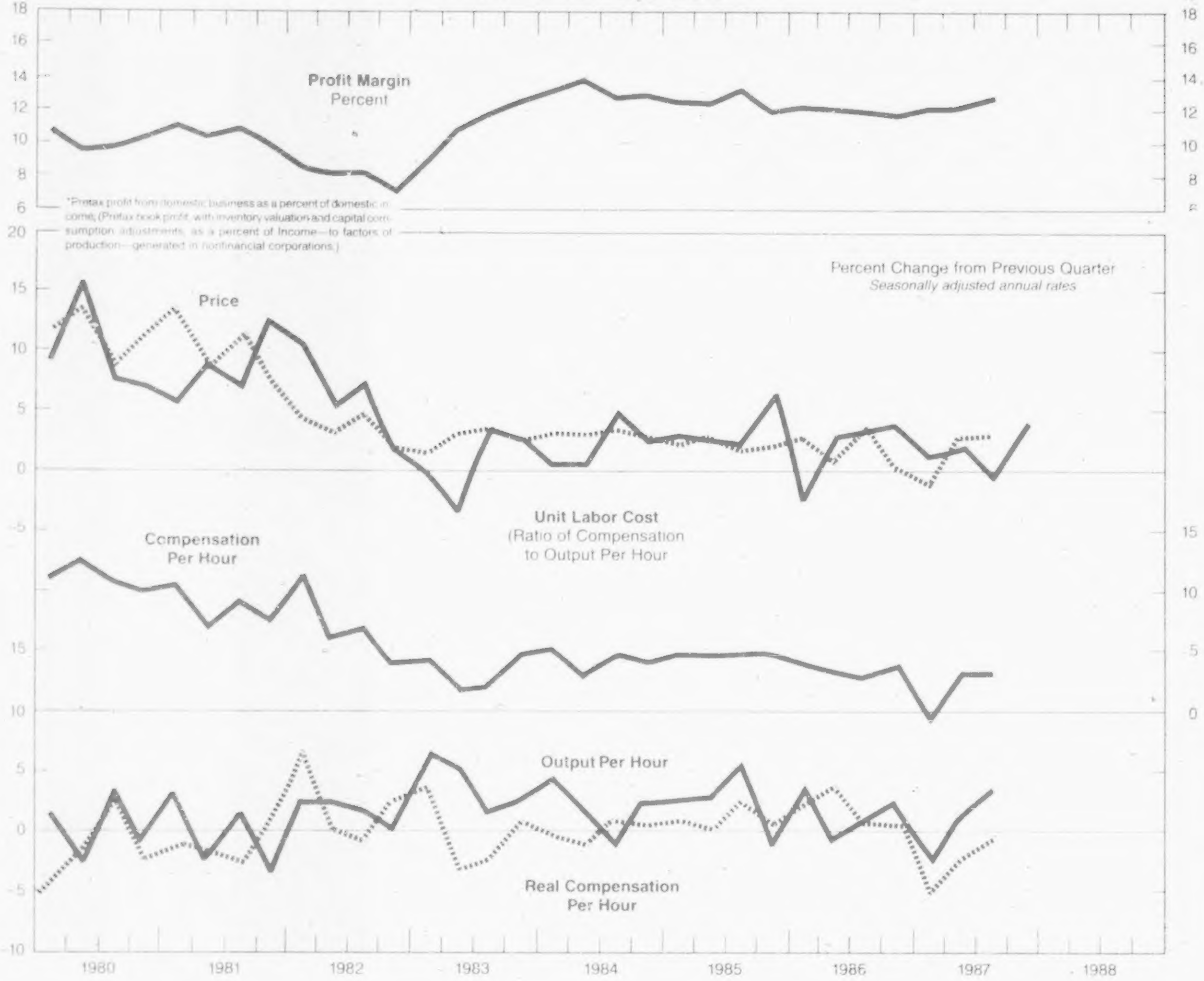
Oil Price



* Source of Forecast is The Energy Information Administration, Department of Energy

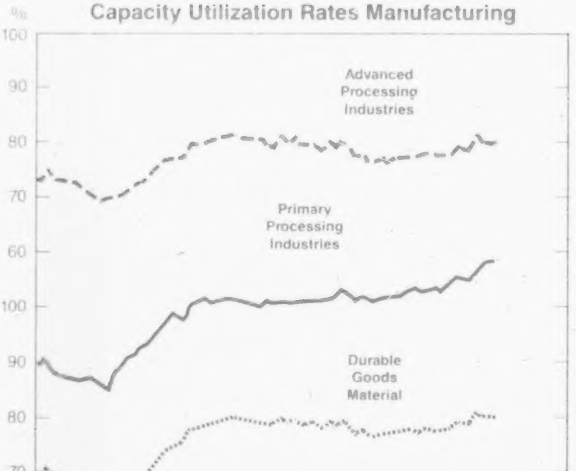
Key Determinants of Profit Margin

Nonfinancial Corporations

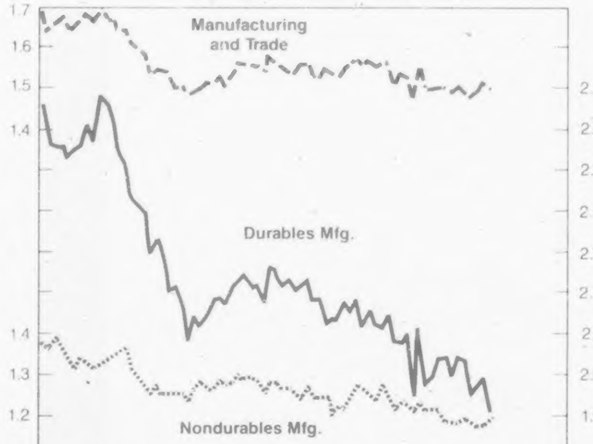


*Pretax profit from domestic business as a percent of domestic income; (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory—Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Feb., 1988*		*Feb., 1988*		*Feb., 1988*		*Feb., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**IV**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**
Forecast	1988	I	4555.8	–4.1	4648.9	4.0	4666.2	5.5	4642.2	3.4
		II	4566.7	1.0	4709.1	5.3	4720.5	4.7	4693.8	4.5
		III	4591.4	2.2	4776.9	5.9	4765.8	3.9	4767.2	6.4
		IV	4649.6	5.2	4842.9	5.6	4815.1	4.2	4836.6	6.0
	1989	I	4769.5	10.7	4877.2	2.9	4890.6	6.4	4913.3	6.5
		II	4890.4	10.5	4908.8	2.6	4981.7	7.7	4970.2	4.7
		III	5012.2	10.3	5000.4	7.7	5080.4	8.2	5034.0	5.2
		IV	5140.6	10.6	5110.7	9.1	5168.6	7.1	5117.9	6.8
	1990	I	5260.0	9.6						
	1988	Annual	4590.9	2.3	4744.5	5.7	4741.9	5.7	4735.0	5.5
	1989	Annual	4953.2	7.9	4974.3	4.8	5030.4	6.1	5008.9	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**IV**	**$3877.9**	**4.5%**	**$3877.9**	**4.5**	**$3877.9**	**4.5%**	**$3877.9**	**4.5%**
Forecast	1988	I	3806.1	–7.2	3883.3	0.6	3895.0	1.8	3884.7	0.7
		II	3791.8	–1.5	3898.2	1.5	3898.0	0.3	3895.3	1.1
		III	3785.1	–0.7	3916.6	1.9	3900.0	0.2	3920.4	2.6
		IV	3806.7	2.3	3933.2	1.7	3902.0	0.2	3941.8	2.2
	1989	I	3872.5	7.1	3921.6	–1.2	3925.0	2.4	3962.3	2.1
		II	3937.7	6.9	3910.6	–1.1	3960.0	3.6	3960.3	–0.2
		III	3999.2	6.4	3942.1	3.3	3994.0	3.5	3967.2	0.7
		IV	4064.6	6.7	3983.9	4.3	4035.0	4.2	4001.5	3.5
	1990	I	4111.5	4.7						
	1988	Annual	3797.4	–0.6	3907.8	2.3	3898.8	2.1	3910.6	2.4
	1989	Annual	3968.5	4.5	3939.6	0.8	3978.5	2.0	3972.8	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**IV**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**
Forecast	1987	I	119.7	3.3	119.7	3.4	119.8	3.7	119.5	2.6
		II	120.4	2.5	120.8	3.7	121.1	4.4	120.5	3.4
		III	121.3	2.9	122.0	3.9	122.2	3.7	121.6	3.7
		IV	122.1	2.8	123.1	3.9	123.4	4.0	122.7	3.7
	1989	I	123.2	3.4	124.4	4.1	124.6	3.9	124.0	4.3
		II	124.2	3.4	125.5	3.8	125.8	3.9	125.5	4.9
		III	125.3	3.7	126.8	4.3	127.2	4.5	126.9	4.5
		IV	126.5	3.7	128.3	4.6	128.1	2.9	127.9	3.2
	1990	I	127.9	4.7						
	1988	Annual	120.9	2.9	121.4	3.4	121.6	3.5	121.1	3.1
	1989	Annual	124.8	3.2	126.3	4.0	126.4	3.9	126.1	4.1
Unemployment Rate										
Actual	**1987**	**IV**		**5.9%**		**5.9%**		**5.9%**		**5.9%**
Forecast	1988	I		6.1		5.9		6.0		5.8
		II		6.5		5.9		6.2		5.9
		III		6.8		5.9		6.2		5.9
		IV		7.1		5.9		6.4		5.9
	1989	I		7.0		6.1		6.4		5.9
		II		6.7		6.3		6.3		6.0
		III		6.3		6.3		6.3		6.1
		IV		5.8		6.3		6.2		6.1
	1990	I		5.5						
	1988	Annual		6.6		5.9		6.2		5.9
	1989	Annual		6.4		6.3		6.3		6.0

---

[1] Based on preliminary fourth quarter data.

[2] Based on revised (2nd revised) third quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Feb., 1988		*Feb., 1988*		*Feb., 1988*		*Feb., 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4604.0	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**$4604.0**	**7.3%**	**IV**	**1987**	**Actual**
4658.0	4.8	4642.9	3.4	4647.1	3.8	4652.2	4.3	I	1988	Forecast
4707.0	4.3	4699.0	4.9	4693.8	4.1	4712.2	5.3	II		
4750.0	3.7	4765.4	5.8	4753.9	5.2	4792.3	7.0	III		
4819.0	5.9	4831.4	5.7	4824.0	6.0	4869.1	6.6	IV		
4899.0	6.8	4910.9	6.7	4926.5	8.8	4956.2	7.3	I	1989	
4959.0	5.0	4989.1	6.5	5022.0	8.0	5035.0	6.5	II		
5016.0	4.7	5071.9	6.8	5120.1	8.0	5102.2	5.4	III		
5078.0	5.0	5149.2	6.2	5220.5	8.1	5169.7	5.4	IV		
				5324.0	8.2	5241.2	5.6	I	1990	
4733.5	5.5	4734.7	5.5	4729.7	5.4	4756.5	6.0	Annual	1988	
4988.0	5.4	5030.3	6.2	5072.3	7.2	5065.8	6.5	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3877.9	**4.5%**	**$3877.9**	**4.5%**	**$3877.9**	**4.5%**	**$3877.9**	**4.5%**	**IV**	**1987**	**Actual**
3901.2	2.4	3881.7	0.4	3888.7	1.1	3881.4	0.4	I	1988	Forecast
3915.8	1.5	3898.4	1.7	3896.2	0.8	3897.5	1.7	II		
3918.9	0.3	3929.3	3.2	3911.8	1.6	3924.6	2.8	III		
3940.3	2.2	3955.5	2.7	3937.1	2.6	3952.3	2.9	IV		
3966.8	2.7	3978.6	2.4	3982.3	4.7	3984.1	3.3	I	1989	
3976.7	1.0	4003.8	2.6	4018.0	3.6	4006.1	2.2	II		
3987.3	1.1	4032.6	2.9	4054.9	3.7	4015.0	0.9	III		
4001.6	1.4	4056.1	2.4	4091.3	3.6	4024.7	1.0	IV		
				4123.1	3.1	4040.1	1.5	I	1990	
3919.1	2.6	3916.2	2.5	3908.5	2.3	3914.0	2.5	Annual	1988	
3983.1	1.6	4017.8	2.6	4036.6	3.3	4007.5	2.4	Annual	1969	
								Gross National Product deflator Index, 1982 100		
118.7	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**118.7**	**2.5%**	**IV**	**1987**	**Actual**
119.4	2.3	119.6	3.0	119.5	2.6	119.9	3.9	I	1988	Forecast
120.2	2.7	120.5	3.1	120.5	3.3	120.9	3.5	II		
121.2	3.4	121.3	2.5	121.5	3.6	122.1	4.1	III		
122.3	3.7	122.1	2.9	122.5	3.3	123.2	3.6	IV		
123.5	4.0	123.4	4.3	123.7	3.9	124.4	4.0	I	1989	
124.7	3.9	124.6	3.9	125.0	4.2	125.7	4.2	II		
125.8	3.6	125.8	3.8	126.3	4.2	127.1	4.5	III		
126.9	3.5	126.9	3.8	127.6	4.3	128.4	4.4	IV		
				129.1	4.9	129.7	4.0	I	1990	
120.8	2.8	120.9	2.9	121.0	3.0	121.5	3.5	Annual	1988	
125.2	3.7	125.2	3.6	125.6	3.8	126.4	4.0	Annual	1989	
								Unemployment Rate		
	5.9%		**5.9%**		**5.9%**		**5.9%**	**IV**	**1987**	**Actual**
	5.8		5.9		5.8		5.9	I	1988	Forecast
	6		6		5.9		6.0	II		
	6.3		6		6.0		6.1	III		
	6,2		6		6.1		6.1	IV		
	6.1		5.9		6.0		6.0	I	1989	
	6.3		5.9		5.9		6.0	II		
	6.3		5.8		5.7		6.1	III		
	6.4		5.8		5.5		6.3	IV		
					5.4		6.4	I	1990	
	6.1		6.0		6.0		6.0	Annual	1988	
	6.3		5.9		5.8		6.1	Annual	1989	

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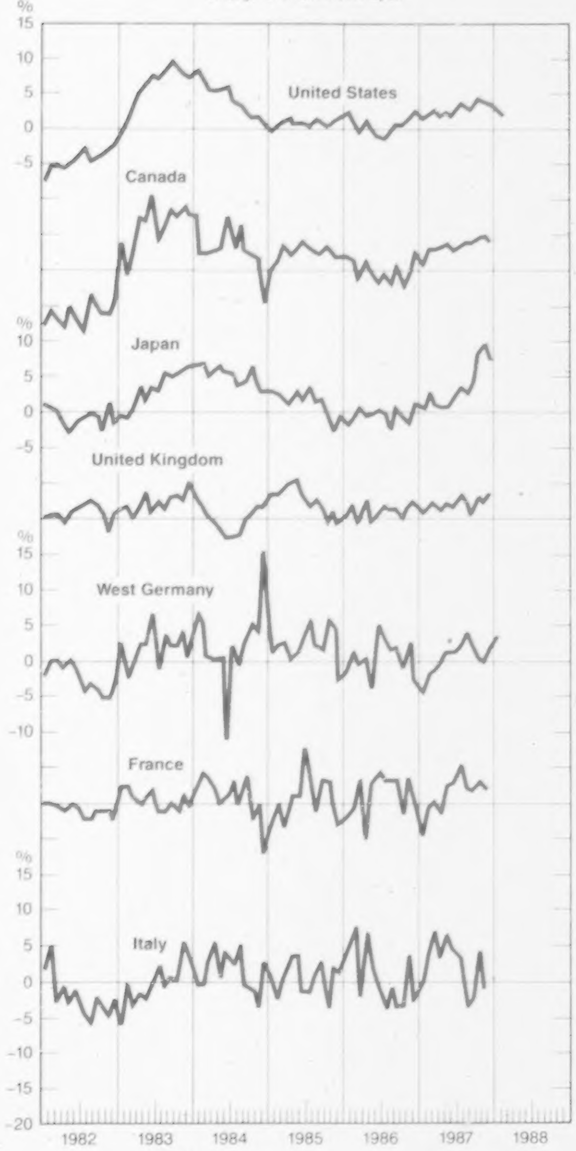
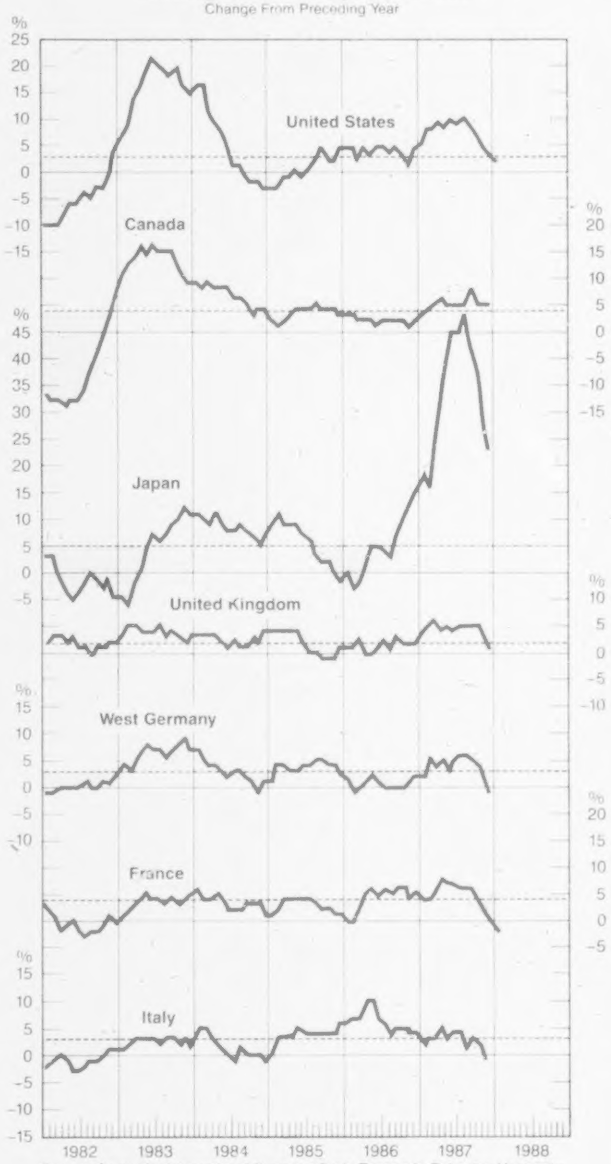
Selected International Comparisons



Industrial Production Indexes

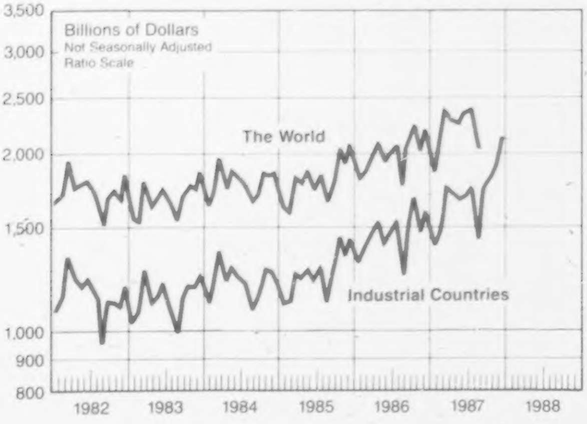
Change Over Six Month Span



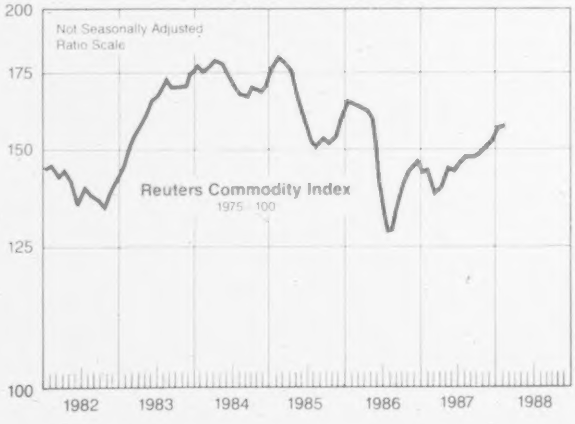
Leading Business Cycle Indexes

Change From Preceding Year

Source: Center for International Business Cycle Research, Columbia University



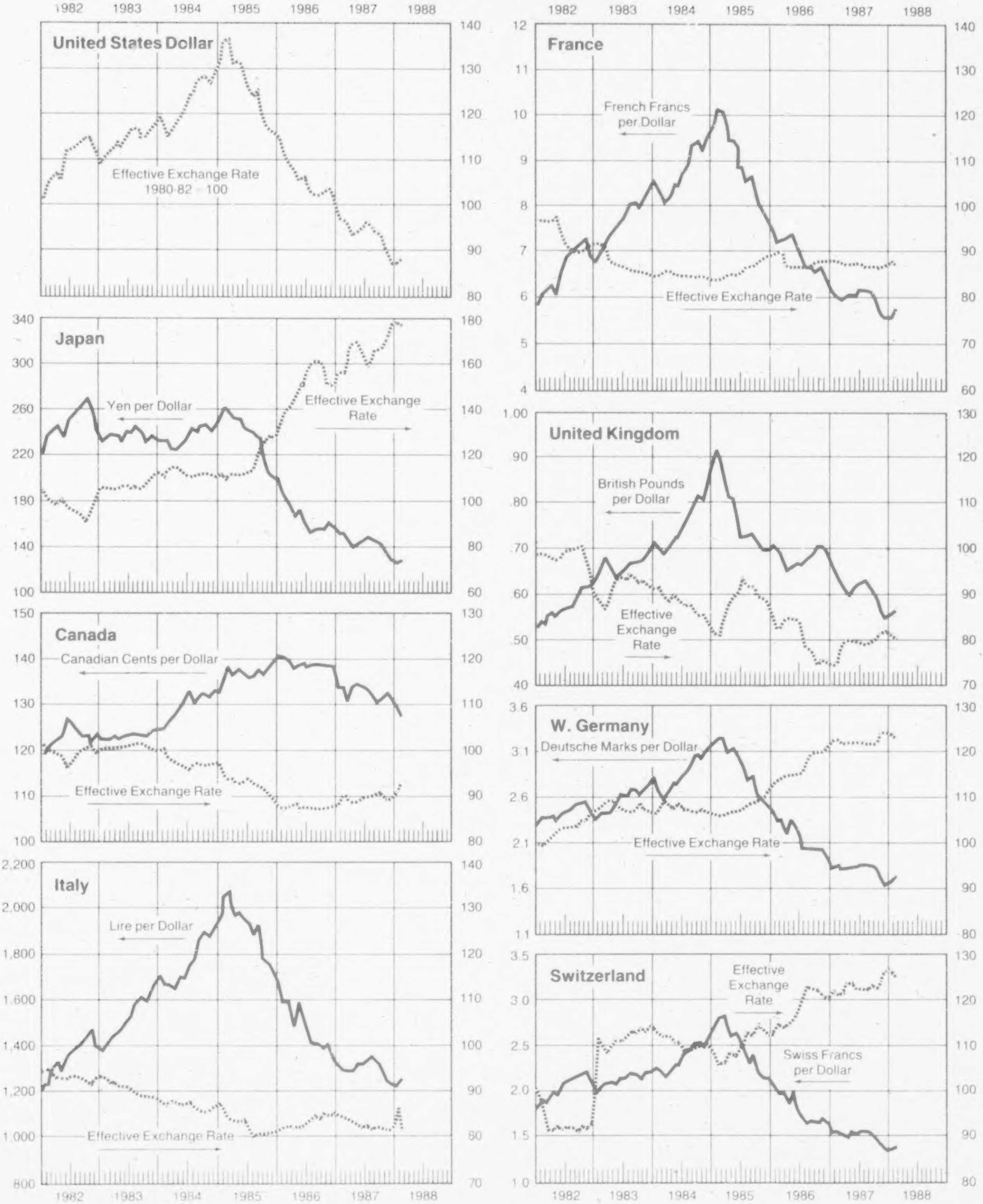
Merchandise Trade: Value of Exports



Raw Materials Prices

Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

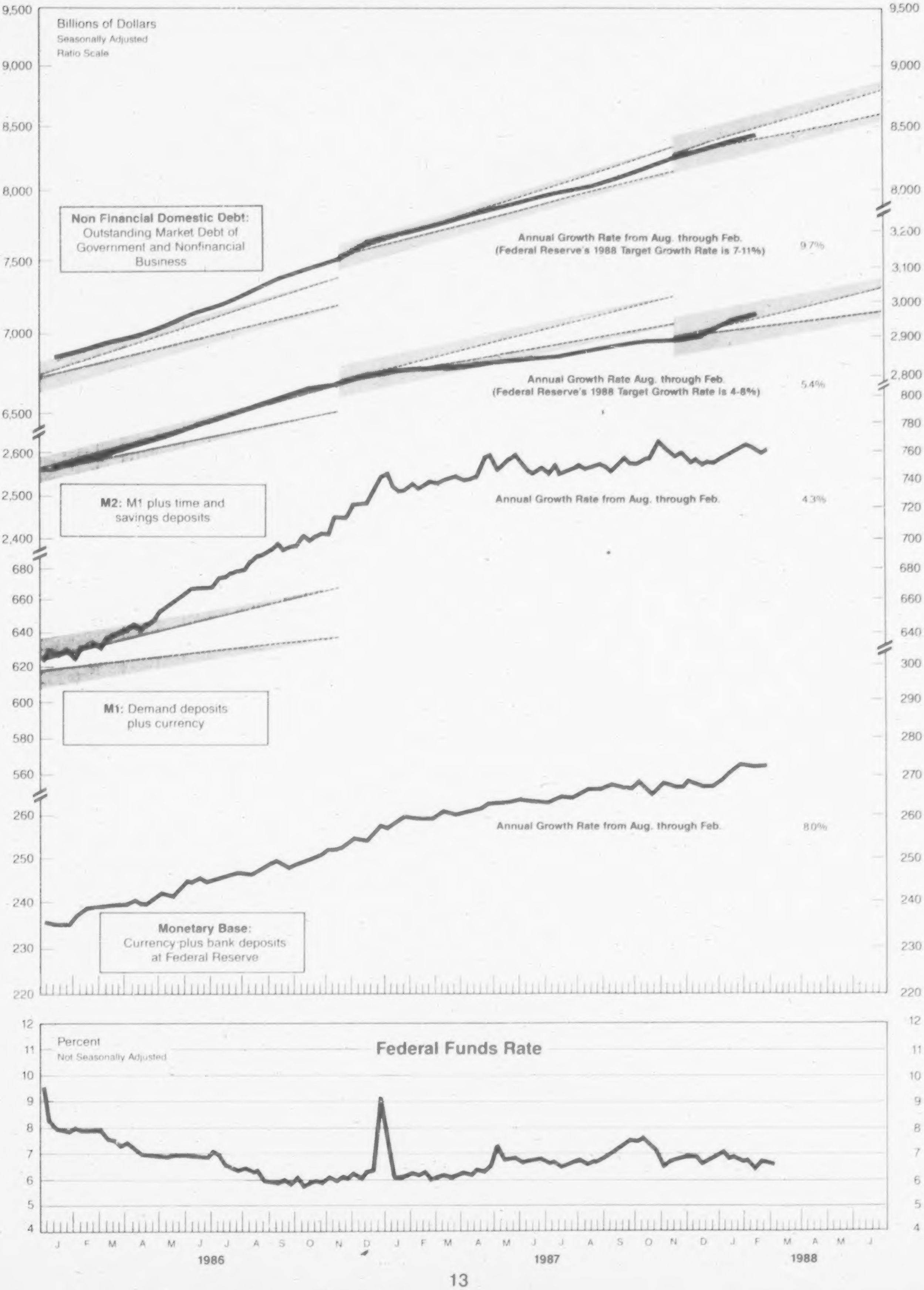
PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
	Actual	Administration's Latest Estimate	Administration's Latest Estimate	Congress's Latest Estimate
		(8/17/87)	(8/17/87)	(6/17/87)
Receipts	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Outlays	**989.8**	**1,016.9**	**1,032.3**	**1,055.5**
Deficit	**−220.7**	**−158.4**	**−123.3**	**−137.4**
Receipts by source	**$769.1**	**$858.5**	**$909.0**	**$ 918.1**
Individual income	349.0	392.8	396.1	
Social security	283.9	301.9	331.8	
Corporate income	63.1	89.6	105.4	
Other receipts	73.1	74.2	75.7	
Outlays by function	**$989.2**	**$1,016.9**	**$1,032.3**	**$1,055.5**
National defense	273.4	282.2	297.5	289.5
Social security	269.0	281.3	293.2	302.4
Income security	119.8	124.0	124.8	131.5
Health	35.9	40.3	40.9	44.9
Education & manpower	29.7	30.7	33.3	32.9
Veterans benefits	26.4	27.0	28.6	27.4
Transportation	28.1	27.6	26.3	28.3
Agriculture	31.4	29.0	21.2	28.6
International affairs	14.2	13.6	14.8	16.1
Natural resources	13.6	14.3	14.8	15.1
General science	9.0	9.6	11.6	11.1
Justice	6.6	8.2	9.3	9.4
General government	6.1	7.0	7.0	7.2
Community development	7.5	6.0	5.4	6.6
Commerce, Housing credit	4.4	8.5	7.5	7.8
Energy	4.7	3.7	3.4	4.6
Revenue sharing	6.4	1.6	1.5	1.8
Interest	136.0	139.6	144.7	139.3
Allowances	0.0	0.0	0.7	−0.7
Offsetting receipts	−33.0	−37.2	−45.3	−47.9

ECONOMIC ASSUMPTIONS OF THE BUDGET

	Fiscal 1986	Fiscal 1987	Fiscal 1988	
GNP				
Current Dollar	**$4,218**	**$4,491**	**$4,830**	**$4,779**
Constant (1982) Dollar	**3,681**	**3,811**	**3,936**	**3,898**
Percent change in				
Current dollar	5.5%	6.1%	7.5%	6.9%
Constant (1982) dollar	2.7	2.6	3.3	3.0
Implicit price index	2.8	3.3	4.1	3.8
Consumer price index	1.6	3.6	4.4	4.3
91-Day T bill rate	6.0	5.7	5.5	5.6
Unemployment rate	6.9	6.2	5.9	6.5

Money Supply and Monetary Growth Targets



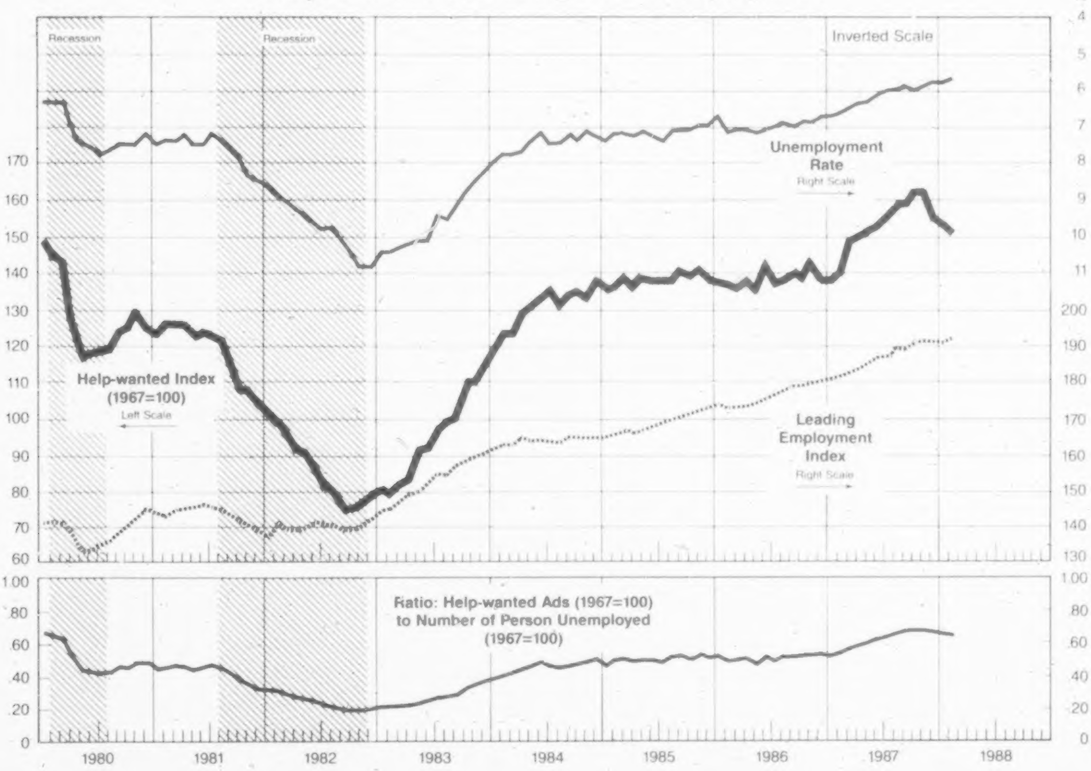
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1988			1987
Locality	Jan.	Dec.	Nov.	Jan.
National Index	153	155	162	138
New England	160	175	182	165
Boston	160	172	182	169
Hartford	164	186	192	170
Providence	158	178	171	147
Middle Atlantic	88	89	100	77
Albany	205	227	413	188
Allentown	307	444	390	249
New York	61	63	66	57
Philadelphia	92	75	86	68
Pittsburgh	96	91	101	86
Rochester	99	95	98	86
Syracuse	145	143	150	132
East North Central	106	99	105	92
Chicago	116	108	115	104
Cincinnati	169	151	164	142
Cleveland	71	63	70	59
Columbus	179	171	185	160
Dayton	89	80	89	76
Detroit	59	54	59	55
Gary	174	174	174	131
Indianapolis	111	112	115	105
Milwaukee	98	93	89	64
Toledo	129	127	132	113
West North Central	101	93	105	92
Kansas City	166	142	153	152
Minneapolis	79	77	95	77
Omaha	149	136	160	126
St. Louis	70	68	71	63
South Atlantic	214	222	220	192
Atlanta	280	275	293	258
Baltimore	260	289	219	241
Charlotte	197	196	218	176
Jacksonville	227	233	228	222
Miami	163	166	164	94
Richmond	146	149	163	138
Washington, D.C.	N.A.	191	213	174
East South Central	166	168	178	149
Birmingham	166	179	174	159
Knoxville	267	301	306	239
Louisville	120	92	96	87
Memphis	139	136	143	139
Nashville	193	207	246	171
West South Central	169	162r	175	151
Dallas	153	157	156	141
Houston	226	208	246	204
New Orleans	130	128	125	111
Oklahoma City	121	107	114	97
San Antonio	154	156	156	144
Tulsa	145	129r	134	117
Mountain	308	329r	336	267
Denver	217	211	210	180
Phoenix	394	475	481	376
Salt Lake City	365	354r	375	284
Pacific	241	251	257	219
Los Angeles	170	167	180	150
Sacramento	447	456	470	432
San Bernadino	N.A.	300	307	264
San Diego	549	680	616	554
San Francisco	244	242	252	209
Seattle	233	233	250	206
Percentage of papers with rising volume	57	25r	63	55
Unemployment rate	5.8	5.8	5.9	6.7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND BUYING PLANS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	110.9	113.9p										

Buying Plans Index

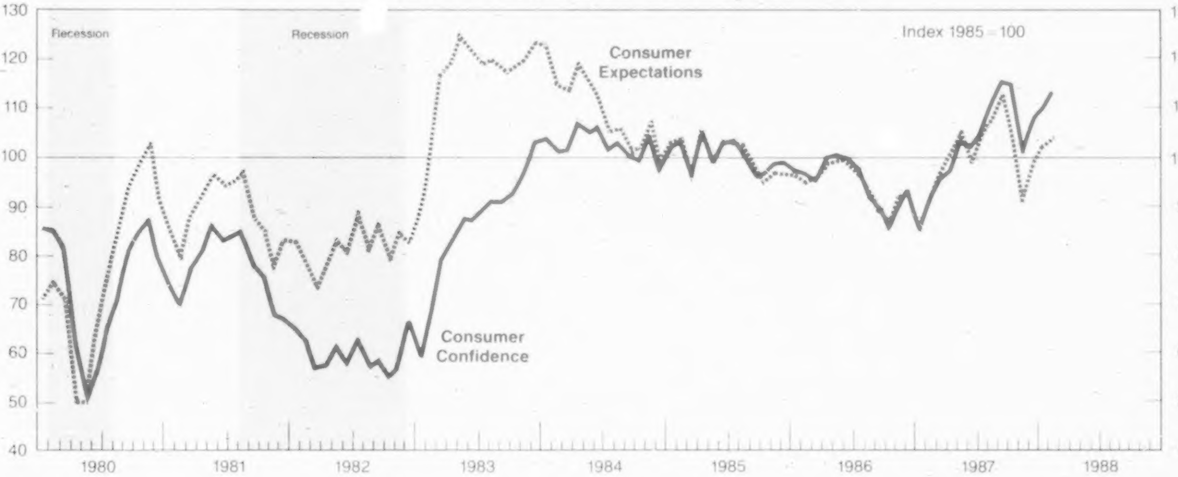
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	100.7	98.7	98.4	97.4	89.5	96.3	93.1	98.4	107.3	110.3	101.2	108.8
1986	104.5	104.4	103.1	124.7	109.0	111.3	107.2	108.2	105.3	98.8	93.0	103.6
1987	98.9	93.1	98.7	89.7	113.4	94.5	96.0	96.5	108.7	104.9	102.5	100.4
1988	96.6											

Confidence Index measures consumer optimism in appraising economic conditions. Buying plans Index is based on intentions to purchase cars, homes, appliances. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary

Consumer Confidence and Expectations



CBDB

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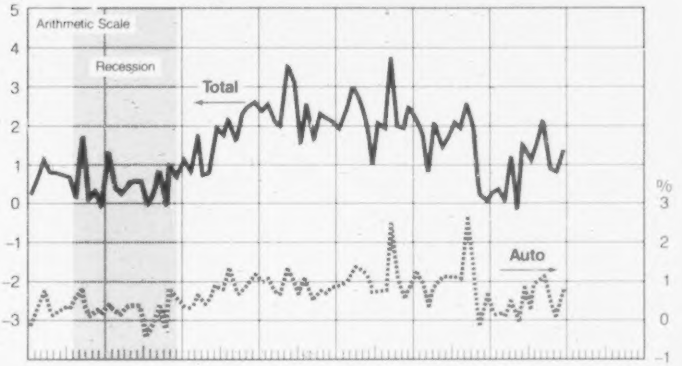
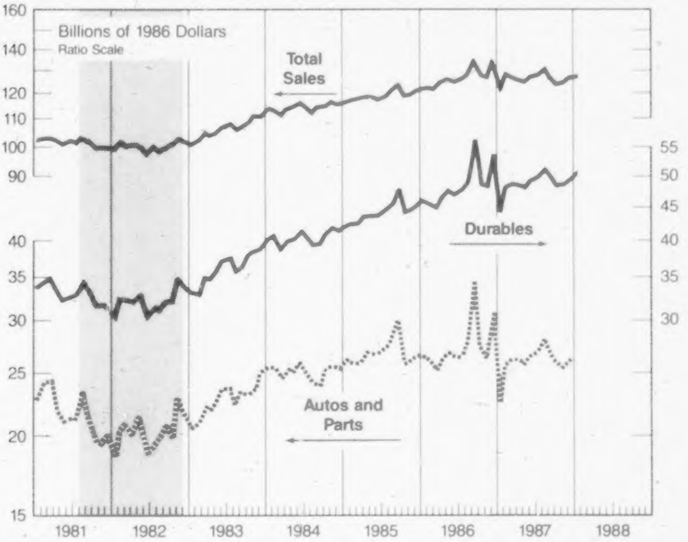
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



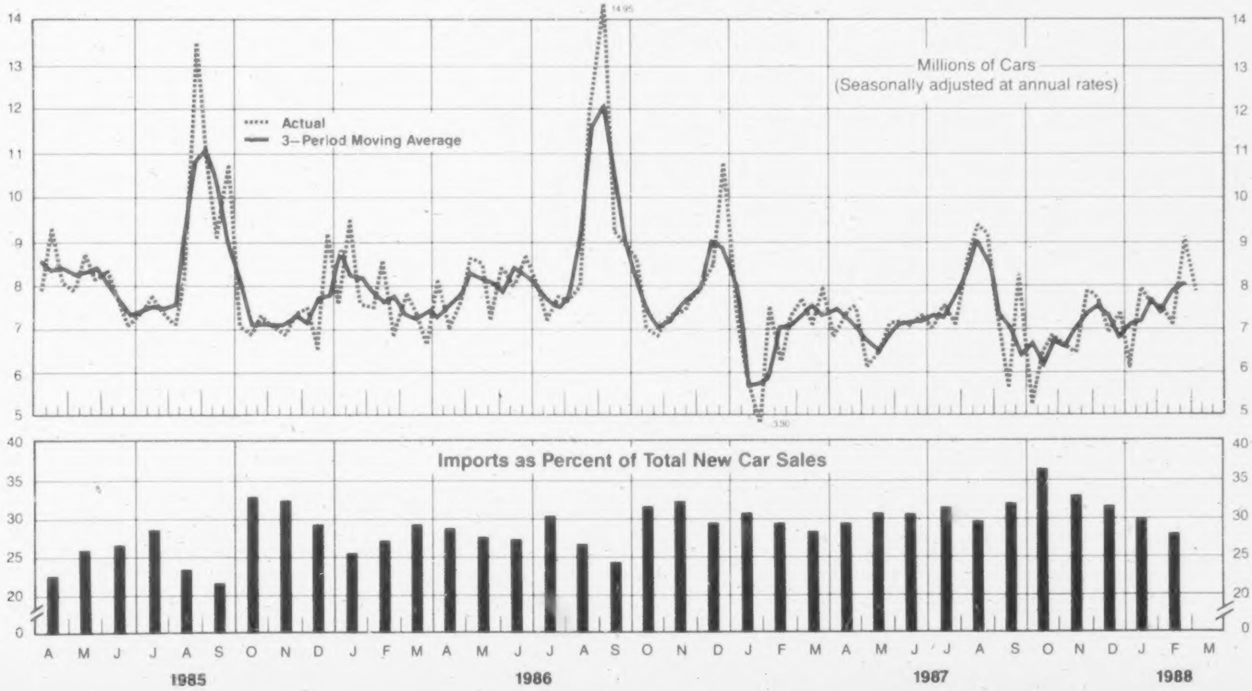
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	
	21-31	8.52	6.69	7.99	
April:	1-10	7.87	8.09	6.87	
	11-20	9.24	7.07	7.35	
	21-30	8.03	7.55	7.57	
May:	1-10	7.91	8.63	6.17	
	11-20	8.76	8.56	6.43	
	21-31	8.09	7.22	7.08	
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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Statistical Reference Index
Acquisitions
4520 East West Highway - Suite 800
Bethesda, MD 20814

STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND IS RISING SLOWLY AS HOME AND CAR SALES PICK UP SLIGHTLY
- BUT CONSUMER ATTITUDES CONTINUE TO TEETER
- AND INDUSTRIAL OUTPUT IS SLOWING DOWN AS NEW ORDERS SLACK OFF, EXPORTS LOSE MOMENTUM, AND INVENTORY ACCUMULATES
- OUTLOOK • MODEST GNP GROWTH OF ABOUT 2% IN FIRST HALF OF 1988; SOMEWHAT STRONGER IN SECOND HALF

Volume 21, No. 4, April, 1988.

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The **Economic Forecasts** correctly predicted that U.S. business activity would slow but not recede in the first half of 1988. Both consumer spending and industrial output are indeed showing more modest increases, while recession remains at bay. The **Economic Forecasts** failed to indicate, however, that the swell in U.S. exports would diminish as sharply and as quickly as early reports show. Exports are still rising but at a much slower rate.

Nor did the **Forecasts** foresee that spending on plant and equipment would be one of the strongest segments of economic activity this year. While spending on nonresidential construction remains weak, there are indications that capital investment will be quite strong. Indeed, the recent rise in construction employment may indicate that capital investment in structures is beginning to turn around. That may be one factor in favor of a slightly improved rate of GNP growth in the second half.

DOMESTIC MARKET MONITOR

The labor market is sending mixed signals. The labor force shrunk sharply in March, but since its decline exceeded the drop in jobs, the unemployment rate improved to 5.6 percent. Yet, total hours worked inched up, initial unemployment claims fell (after rising for months), and the volume of **help-wanted** advertising rose. These indicators do not describe a declining job market.

It still appears, however, that the economy will be growing too slowly to prevent the unemployment rate from inching back up to 6% by as early as the third quarter. Indeed, if the labor force had not declined in March, that trend would have already begun.

INCOME: Less job expansion, a slower rise in hours worked, and meager gains in hourly pay are tempering the rise of consumer income. Wages in commodity-producing industry were 0.9% higher in February than three months earlier, a hefty increase but not as vigorous as in prior months. Wages in the "other" industry category were 2% higher. In March, total jobs fell and hours worked were only marginally higher. That offset the rise in average hourly pay. The rate for private industry was $9.19 in March, compared with $9.13 in January.

Nonwage income growth remains strong. In February, it was 2.3% higher than three months earlier. Higher interest rates are resulting in higher interest income. Rental income is also rising sharply. With rental unit construction sharply curtailed, rents are being forced higher. Dividends and shopkeepers' income are rising more modestly.

Long-dormant consumer credit demand has reawakened. For the 12 months up to November 1987, the ratio of **Consumer Installment Debt Expansion to Personal Income** remained below 1 percent. Paced by stronger auto-loan demand, that ratio varied between 1% and 2% from December through February. Car sales were not sufficient to account for all of the rise in credit demand, however. This suggests that credit is being used, to some degree, to finance other purchases. That buying on credit has picked up may be signal that overall consumer spending may be loosing some energy.

Consumer attitudes are eroding despite fairly good labor-market news. In March, The Conference Board's **Consumer Confidence Index** fell slightly to 112.8 (1985 = 100), which is close to September's 115.7 (a 15-year high). Although small, the March drop indicates that consumers are wavering in their assessment of business conditions. If the labor market sours a bit, as expected, attitudes will weaken further.

SPENDING: Consumer purchases also seem to be faltering. Although spending on services is still rising, retail sales, except autos, were only 0.1% higher in February than three months earlier. Consumer durable sales, except cars, were 2.4% higher. Nondurable sales fell by 0.4 percent.

Car buying is the strongest element in retail sales. New domestic **Automobile Sales** maintained a 7.8 million seasonally adjusted annual rate in March, compared with 7.9 million in February. These figures, however, compare unfavorably with the 8 to 9 million in sales that producers anticipated, resulting in a round of job and production cutbacks.

CONSTRUCTION: The prolonged and severe downtrend in home buying may be ending. New single-family home sales recovered in February but only to their November 1987 level. Some respite from the rise in prices for new homes, as well as lower mortgage rates, helped sales. Nevertheless, the recovery failed to reduce the overhang of unsold homes and upward pressure on interest rates is likely to discourage further drops in mortgage rates.

New home construction is no longer declining. In fact, new single-unit housing starts and permits were relatively flat over the last few months. Conversely, multi-unit construction continued to decrease sharply.

Nonresidential construction remains mired in a deep slump. Office building was 5% lower in February than three months ago; industrial building fell by 6%; and commercial building was down 9 percent. Public building and work on infrastructure also declined. On a brighter note, the rise in construction employment in February and March may signal a turnaround.

PRODUCTION: Output is rising at a modest pace, as the rise in new orders has slowed down. Total industrial produc-

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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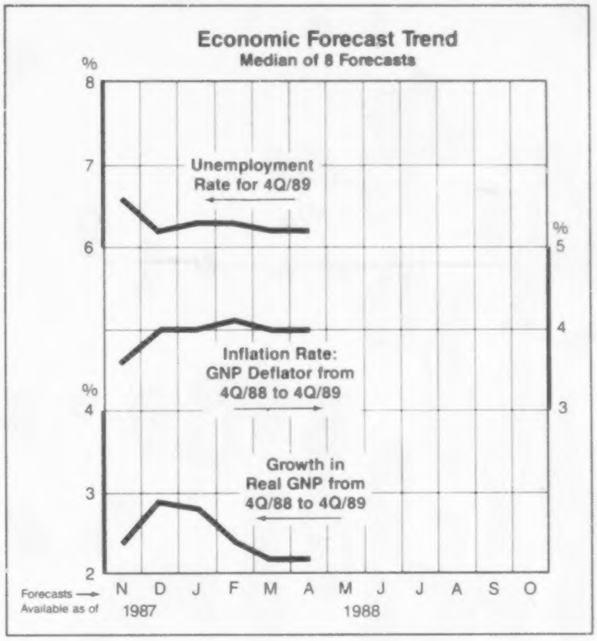


tion was 0.9% higher in February than three months earlier. The output of finished consumer durables was 2.3% lower, while that of finished business equipment rose by 2.4 percent. The production of semi-finished goods was only 0.3% higher; raw material output grew a mere 0.7 percent. Finally, total hours worked in manufacturing fell in March, which might indicate that production schedules are being trimmed.

The surge in new orders appears to be over, at least for the moment. New orders for durable goods, except defense-related, were only 2.3% higher in February than three months earlier.

INVENTORY: Another factor behind the slowing of production is the rise in inventory. Total inventory, except cars at the retail level, was 2.5% higher in December than three months earlier. Total sales, except retail cars, were actually 0.2% lower. Thus, inventory is accumulating and the **Inventory-to-Sales** ratios are rising. Production increases are being curbed to limit further inventory buildup.

INVESTMENT: Industrial conditions may nevertheless get a boost from a strong rise in investment later this year. The Conference Board's survey on **Capital Appropriations and Expenditures** shows that the nation's 1,000 largest manufacturers invested 13% more on plant and equipment in the fourth quarter of 1987 than in the second quarter. Moreover, appropriations (approval of new spending programs) were also higher, which means the backlog of approved projects is on the rise. Finally, survey responses suggest that manufacturing executives are planning to invest 18% more in 1988 than in 1987.

Another Conference Board survey suggests that those expansive investment plans may reflect renewed business confidence. The **Measure of Business Confidence** stood at 59 (on a scale of 0 to 100) in the third quarter of 1987, fell to 47 in the fourth quarter, and then recovered to 51 in the first quarter of 1988.

INFLATION: The consensus of the **Economic Forecasts** is that the CPI rose at a 3.2% annual rate in the first quarter of 1988. Higher prices for imports and import-competing products, as well as some rise in labor costs, may cause the CPI to rise by about 4.1% by the fourth quarter of 1988 and about by 4.7% by the fourth quarter of 1989.

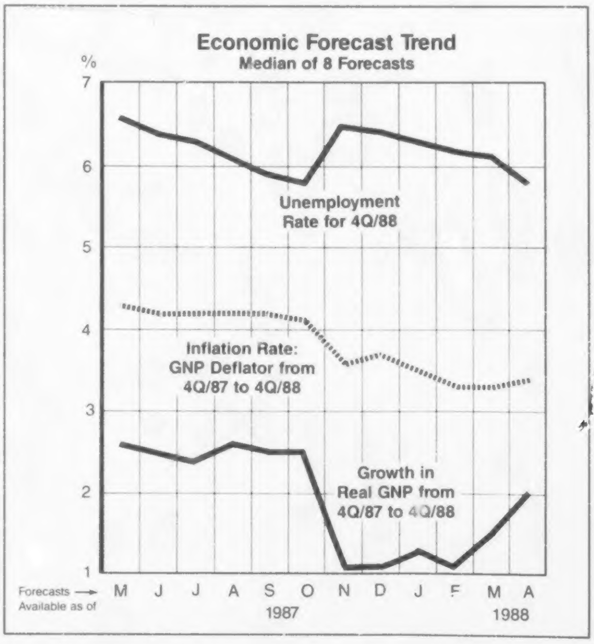
So far this year, raw material prices are not contributing to inflationary pressure. Industrial raw material prices were 0.6% lower in March than three months ago; farm prices have been basically flat. At the wholesale level, prices of finished goods declined in February for the third time in the last four months. Prices of finished consumer goods declined in four of the last five months.

INTERNATIONAL MONITOR

Imports have actually declined in recent months. Total imports were 11.7% lower in January than three months earlier. Imports from Europe, Canada, Japan, and the developing countries all declined. The lone exception was a 32% rise from "other" developed countries—a category that includes newly industrialized Asian countries like Korea and Taiwan.

The sharp rise in exports has slowed. Total exports were only 2.7% higher in January than three months earlier. Exports of manufactured goods were only 3.4% higher, probably another factor in the fall-off of domestic industrial production.

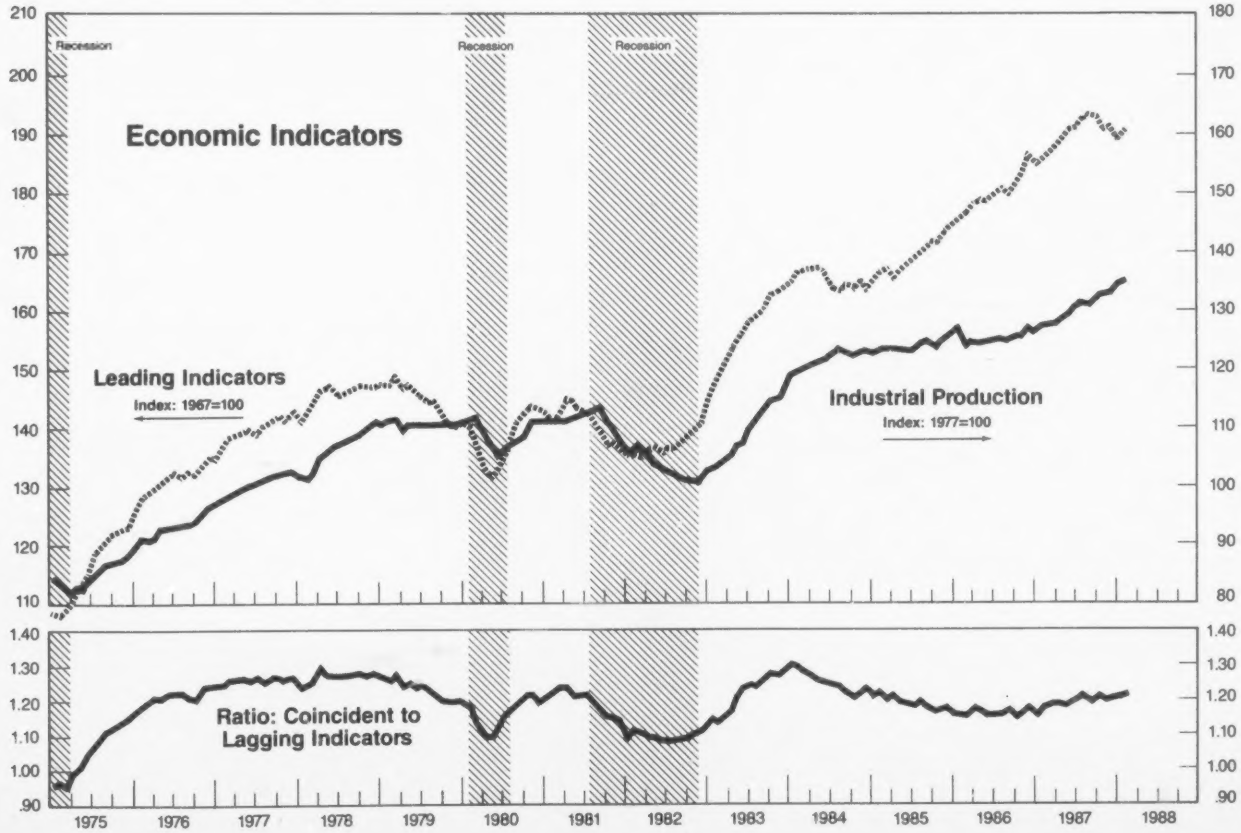
Ken Goldstein
April 8, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Feb.		X		0.2%	2.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Feb.	X			10.4%	18.0%
New orders, nondefense capital goods (deflated)	Feb.	X			10.1%	20.4%
*New business formation	Feb.		X		0.2%	1.8%
*Housing permits	Feb.		X		– 3.2%	-15.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Feb.		X		– 0.5%	1.1%
*Change in inventory, on hand & order (deflated)	Jan.		X		15.7%	30.4%
Purchasing agents' buying policy	Feb.	X			1.0%	8.0%
*Vendor performance, reported slower deliveries	Feb.			X	0.0%	14.0%
Industrial raw materials prices	Mar.		X		– 0.7%	18.1%
*Change in sensitive material prices	Feb.			X	– 1.0%	– 0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Feb.	X			1.0%	0.3%
Change in business loans	Feb.	X			29.6%	80.9%
*Change in credit outstanding	Jan.			X	– 9.3%	– 8.2%
Change in consumer installment debt	Jan.	X			30.5%	55.6%
Profitability						
Total corporate profits, after tax (deflated)	4th.Q	X			1.0%	13.7%
*Common stock prices	Mar.	X			11.5%	– 8.1%
Marginal Employment Adjustments						
*Average workweek, mfg.	Feb.			X	– 0.3hr	– 0.2hr
*Initial unemployment claims (inverted)	Feb.		X		– 9.6%	11.1%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



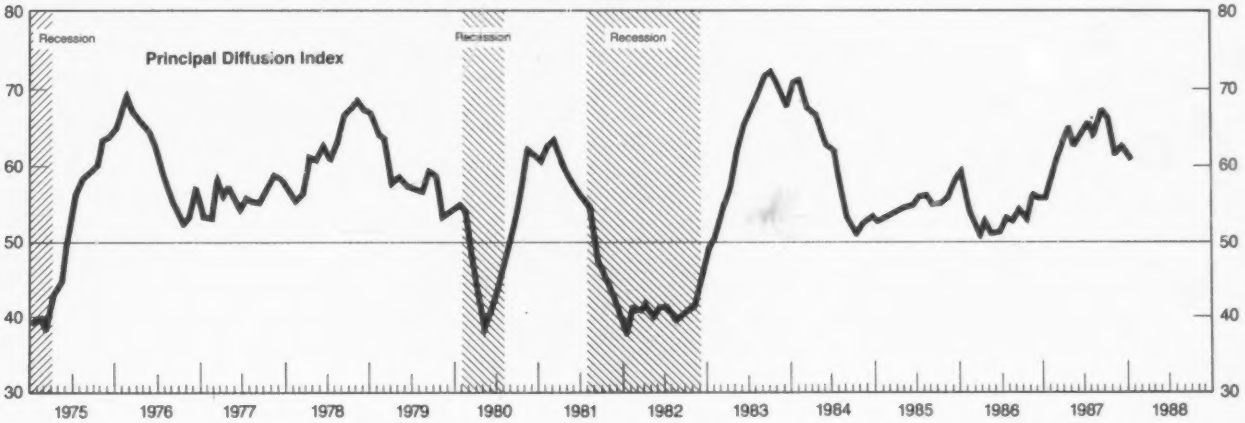
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Feb.	1987 Nov.	1987 Dec.	1988 Jan.	1988 Feb.(e)
Principal Diffusion Index	58.5r	60.8r	58.9r	56.8r	55.9
Auxillary Diffusion Index	58.2r	37.6r	44.1r	43.1r	46.9
Industrial Group	54.0r	62.1r	59.0r	55.3r	52.1
Nonindustrial Group	63.1	59.5	58.8r	58.3r	59.6
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	54.7	69.2	64.1	59.4	54.3
Labor	57.6r	60.0r	54.5r	50.6r	51.4
Miscellaneous	43.9r	56.4	62.8	60.9	50.6
Nonindustrial Subgroups					
Prices	73.7	63.5	59.6	64.1	60.9
Consumer	70.1	64.5	69.2	73.5	72.2
Building	44.2r	44.9	45.5	38.5	47.4
Miscellaneous	61.5	61.5	56.8r	52.6r	54.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 *May*	*Aug.*	*Nov.*	*Feb.*	*1986* *May*	*Aug.*	*Nov.*	*Feb.*	*1987* *May*	*Aug.*	*Nov.*	*Feb.*
					Score (scale 0-100)							
Measure of Business Confidence	52	51	55	61	61	50	51	55	55	59	47	51
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	45	53	63	61	44	50	56	55	62	50	49
2. Expectations for Economy, Six Months Ahead	53	53	56	62	62	52	51	54	53	56	43	50
3. Expectations for Own Industry, Six Months Ahead	55	54	56	59	60	54	53	56	56	58	48	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

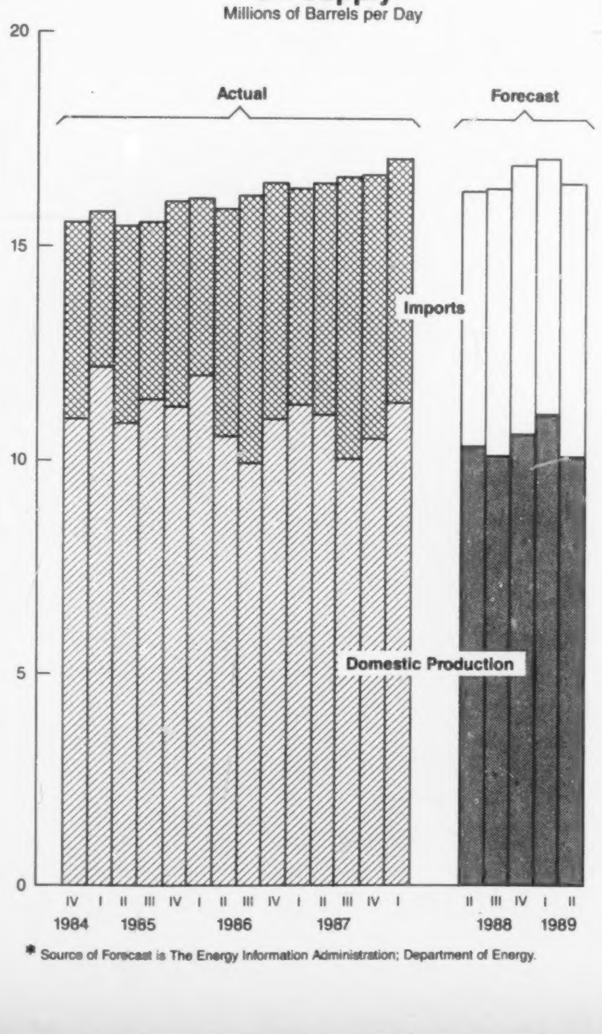
	1986			1987				Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	II	III	IV	I	IIr	IIIp	IVp	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	19.991	20.203	22.097	21.441	32.257	29.810	33.985	31%	12%
Capital expenditures	24.309	22.452	23.299	20.801	25.933	27.491	29.328	11	18
Change in appropriations backlog*	-6.447	-5.060	-10.990	-0.550	+5.460	+0.070	+2.110		
Durable Goods									
New appropriations	9.578	10.807	10.807	9.746	16.515	18.095	19.018	55	8
Capital expenditures	11.880	12.186	12.915	11.124	14.006	14.847	15.665	17	23
Change in appropriations backlog*	-3.824	-3.986	-4.140	-2.070	+2.310	+2.930	+3.130		
Nondurable Goods									
New appropriations	10.413	10.152	11.290	11.695	15.742	11.715	14.970	24	17
Capital expenditures	12.429	10.266	10.384	9.677	11.927	12.644	13.663	6	14
Change in appropriations backlog*	-2.623	-1.074	-6.853	+1.520	+3.160	-2.890	-1.020		
ELECTRIC & GAS UTILITIES									
New appropriations	5.544	5.530	5.491	6.482r	5.569r	5.138p			
Capital expenditures	7.702	7.535	6.080	7.649r	7.032r	7.746p			
Change in appropriations backlog*	-3.840	-2.110	-1.005	-0.840r	-1.590r	-2.670p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

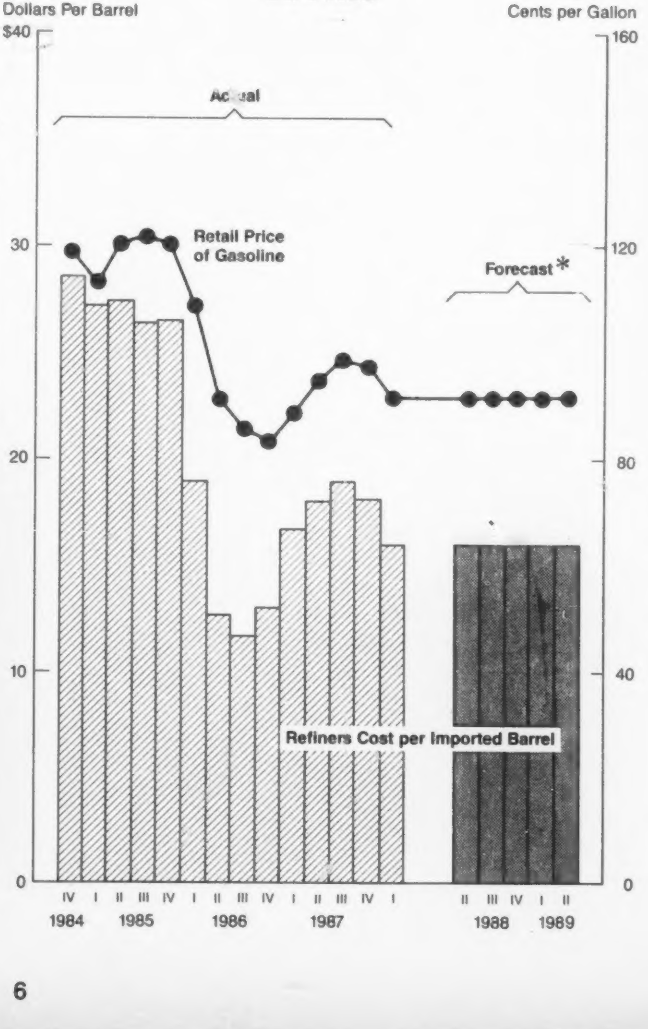
r—revised p—preliminary

* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Oil Supply



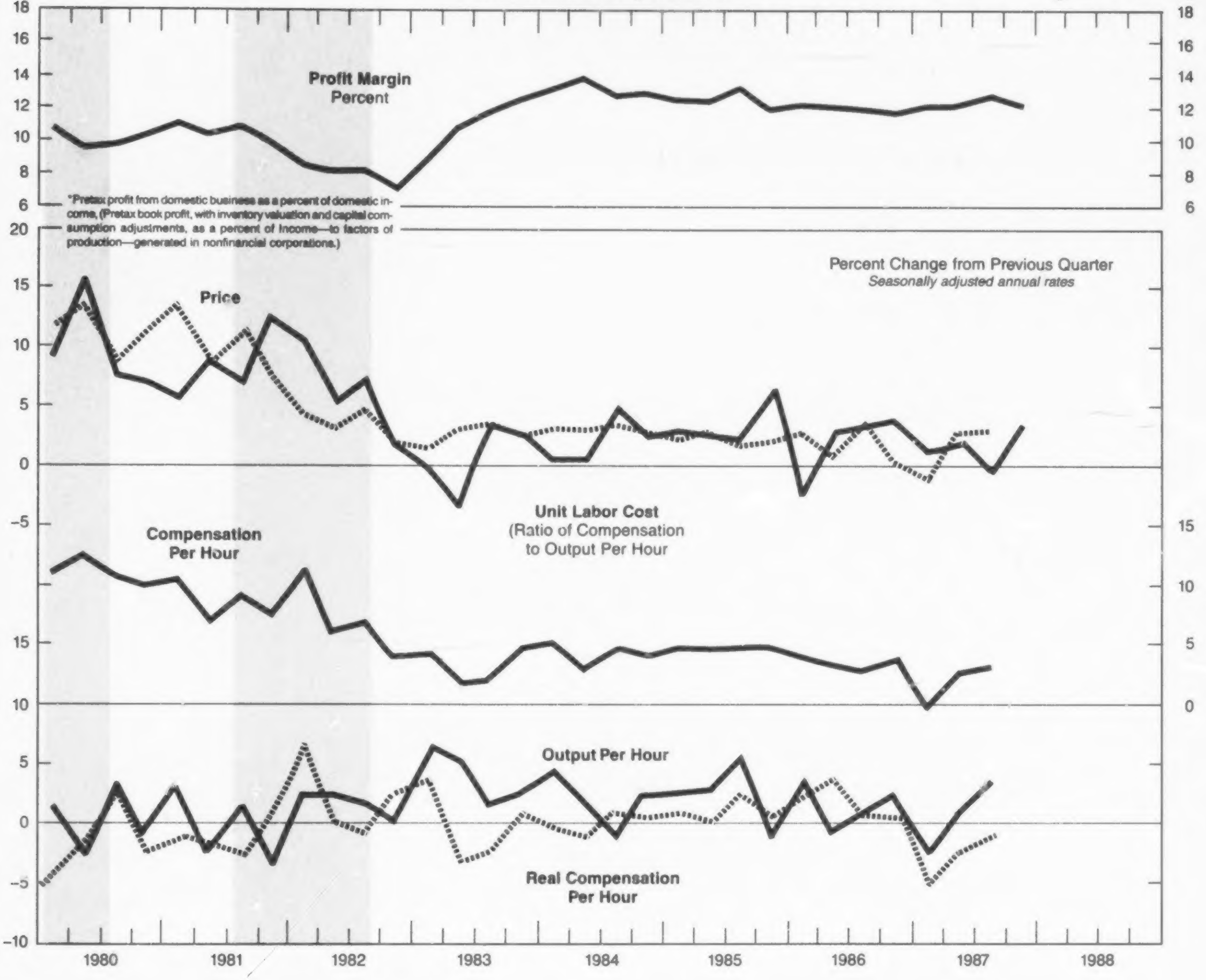
Oil Price



* Source of Forecast is The Energy Information Administration; Department of Energy.

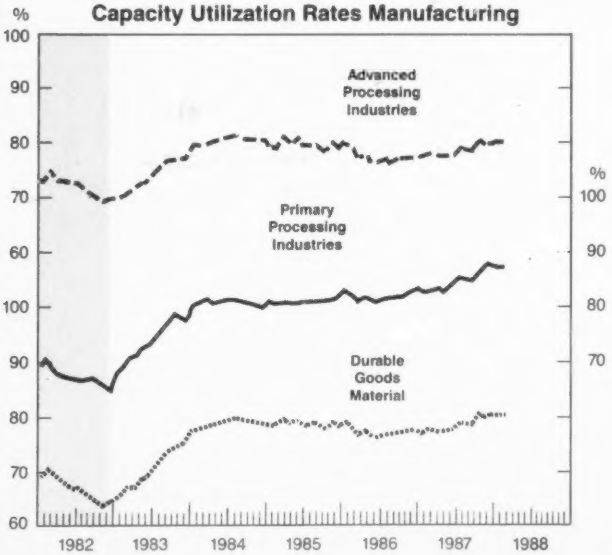
Key Determinants of Profit Margin

Nonfinancial Corporations

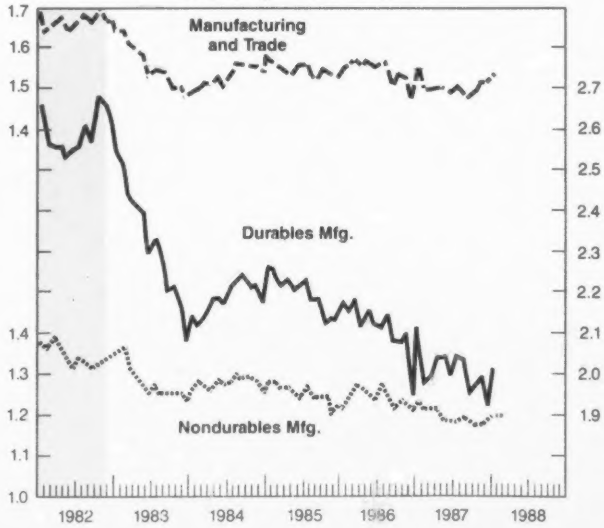


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory—Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Mar., 1988*		*Mar., 1988*		*Mar., 1988*		*Mar., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1987**	**IV**	**$4607.4**	**7.6%**	**$4607.4**	**7.6%**	**$4607.4**	**7.6%**	**$4607.4**	**7.6%**
Forecast	1988	I	4620.8	1.2	4666.0	5.2	4672.2	5.7	4652.3	4.0
		II	4623.6	0.2	4732.3	5.8	4730.2	5.1	4724.1	6.3
		III	4639.7	1.4	4805.0	6.3	4778.0	4.1	4795.3	6.2
		IV	4701.3	5.4	4870.4	5.6	4834.8	4.8	4873.4	6.7
	1989	I	4806.8	9.3	4904.1	2.8	4903.0	5.8	4953.9	6.8
		II	4908.1	8.7	4938.8	2.9	4993.0	7.5	5009.9	4.6
		III	5009.3	8.5	5030.5	7.6	5079.8	7.1	5040.1	2.4
		IV	5105.8	7.9	5135.5	8.6	5176.5	7.8	5088.9	3.9
	1990	I	5201.7	7.7			5276.4	7.9		
	1988	Annual	4646.4	3.5	4768.4	6.2	4753.8	5.9	4761.3	6.1
	1989	Annual	4957.5	6.7	5002.2	4.9	5038.1	6.0	5023.2	5.5
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1987**	**IV**	**$3880.8**	**4.8%**	**$3880.8**	**4.8**	**$3880.8**	**4.8%**	**$3880.8**	**4.8%**
Forecast	1988	I	3860.5	–2.1	3900.9	2.1	3900.0	2.0	3899.7	2.0
		II	3829.0	–3.2	3923.1	2.3	3906.0	0.6	3923.7	2.5
		III	3808.5	–2.1	3947.0	2.5	3910.0	0.4	3937.0	1.4
		IV	3832.5	2.5	3963.2	1.7	3918.0	0.8	3955.7	1.9
	1989	I	3885.6	5.7	3950.9	–1.2	3935.0	1.7	3972.7	1.7
		II	3929.5	4.6	3941.5	–0.9	3969.0	3.5	3966.7	–0.6
		III	3973.1	4.5	3971.9	3.1	4003.0	3.5	3943.7	–2.3
		IV	4011.3	3.9	4008.3	3.7	4041.0	3.9	3938.8	–0.5
	1990	I	4043.2	3.2			4080.0	3.9		
	1988	Annual	3832.6	0.3	3933.6	2.9	3908.5	2.3	3929.0	2.8
	1989	Annual	3949.9	3.1	3968.2	0.9	3987.0	2.0	3955.5	0.7
Gross National Product deflator Index, 1982 = 100										
Actual	**1987**	**IV**	**118.7**	**2.7%**	**118.7**	**2.7%**	**118.7**	**2.7%**	**118.7**	**2.7%**
Forecast	1987	I	119.7	3.3	119.6	3.0	119.8	3.7	119.3	2.0
		II	120.8	3.6	120.6	3.4	121.1	4.4	120.4	3.7
		III	121.8	3.6	121.7	3.7	122.2	3.7	121.8	4.7
		IV	122.7	2.8	122.9	3.8	123.4	4.0	123.2	4.7
	1989	I	123.7	3.4	124.1	4.1	124.6	3.9	124.7	5.0
		II	124.9	3.9	125.3	3.8	125.8	3.9	126.3	5.2
		III	126.1	3.8	126.7	4.4	126.9	3.5	127.8	4.8
		IV	127.3	3.9	128.1	4.7	128.1	3.8	129.2	4.4
	1990	I	128.7	4.4						
	1988	Annual	121.2	3.2	121.2	3.2	121.6	3.5	121.2	3.2
	1989	Annual	125.5	3.5	126.1	4.0	126.3	3.9	127.0	4.8
Unemployment Rate										
Actual	**1987**	**IV**		**5.9%**		**5.9%**		**5.9%**		**5.9%**
Forecast	1988	I		5.8		5.7		5.7		5.7
		II		6.2		5.7		5.8		5.6
		III		6.7		5.6		6.0		5.5
		IV		7.0		5.6		6.1		5.4
	1989	I		7.0		5.7		6.2		5.4
		II		6.8		5.9		6.2		5.4
		III		6.5		5.9		6.2		5.8
		IV		6.3		5.9		6.1		6.3
	1990	I		6.1				6.0		
	1988	Annual		6.4		5.7		5.9		5.6
	1989	Annual		6.6		5.9		6.2		5.7

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[1] Based on revised (2nd revised) fourth quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Mar., 1988		*Mar., 1988*		*Mar., 1988*		*Mar., 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4607.4	**7.6%**	**$4607.4**	**7.6%**	**$4607.4**	**7.6%**	**$4607.4**	**7.6%**	**IV**	**1987**	**Actual**
4666.0	5.2	4660.6	4.7	4654.4	4.1	4662.0	4.8	I	1988	Forecast
4722.0	4.9	4720.1	5.2	4698.3	3.8	4722.6	5.3	II		
4773.0	4.4	4789.2	6.0	4762.0	5.5	4808.5	7.5	III		
4848.0	6.4	4856.4	5.7	4834.1	6.2	4891.8	7.1	IV		
4939.0	7.7	4936.5	6.8	4937.4	8.8	4978.6	7.3	I	1989	
4980.0	3.4	5017.7	6.7	5033.0	8.0	5051.0	5.9	II		
4998.0	1.5	5098.2	6.6	5133.2	8.2	5129.2	6.3	III		
5071.0	6.0	5177.5	6.4	5235.2	8.2	5200.7	5.7	IV		
				5336.8	8.0	5268.9	5.3	I	1990	
4752.3	5.9	4756.6	6.0	4737.2	5.5	4771.2	6.3	Annual	1988	
4997.0	5.2	5057.5	6.3	5084.7	7.3	5089.9	6.7	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3880.8	**4.8%**	**$3880.8**	**4.8%**	**$3880.8**	**4.8%**	**$3880.8**	**4.8%**	**IV**	**1987**	**Actual**
3908.0	2.8	3900.2	2.0	3896.9	1.7	3898.1	1.8	I	1988	Forecast
3928.5	2.1	3919.3	2.0	3906.7	1.0	3912.4	1.5	II		
3938.3	1.0	3947.7	2.9	3927.7	2.2	3943.4	3.2	III		
3963.9	2.6	3971.5	2.4	3956.3	2.9	3974.2	3.2	IV		
3999.3	3.6	3993.3	2.2	4003.7	4.9	4006.3	3.3	I	1989	
3993.3	−0.6	4019.8	2.7	4040.1	3.7	4020.4	1.4	II		
3973.3	−2.0	4045.9	2.6	4079.0	3.9	4036.9	1.7	III		
3993.0	2.0	4070.0	2.4	4116.7	3.7	4049.4	1.2	IV		
				4147.6	3.0	4057.1	0.8	I	1990	
3934.7	3.0	3934.7	3.0	3921.9	2.6	3932.0	2.9	Annual	1988	
3989.7	1.4	4032.3	2.5	4059.9	3.5	4028.3	2.4	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
118.7	**2.7%**	**118.7**	**2.7%**	**118.7**	**2.7%**	**118.7**	**2.7%**	**IV**	**1987**	**Actual**
119.4	2.3	119.5	2.6	119.4	2.4	119.6	3.0	I	1988	Forecast
120.2	2.7	120.4	3.2	120.3	2.8	120.7	3.8	II		
121.2	3.4	121.3	3.0	121.2	3.3	121.9	4.1	III		
122.3	3.7	122.3	3.2	122.2	3.2	123.1	3.8	IV		
123.5	4.0	123.6	4.5	123.3	3.8	124.3	3.9	I	1989	
124.7	4.0	124.8	4.0	124.6	4.1	125.6	4.5	II		
125.8	3.5	126.0	3.8	125.8	4.1	127.1	4.6	III		
127.0	3.9	127.2	3.9	127.2	4.3	128.4	4.4	IV		
				128.7	4.8	129.9	4.6	I	1990	
120.8	2.8	120.9	2.9	120.8	2.8	121.3	3.3	Annual	1988	
125.2	3.7	125.4	3.8	125.2	3.7	126.3	4.1	Annual	1989	
								Unemployment Rate		
	5.9%		**5.9%**		**5.9%**		**5.9%**	**IV**	**1987**	**Actual**
	5.7		5.8		5.7		5.7	I	1988	Forecast
	5.7		5.9		5.8		5.8	II		
	5.9		5.9		5.8		5.9	III		
	5.8		5.8		5.9		5.8	IV		
	5.8		5.8		5.8		5.8	I	1989	
	6.0		5.8		5.6		5.9	II		
	6.4		5.8		5.4		6.0	III		
	6.2		5.7		5.3		6.2	IV		
					5.1		6.5	I	1990	
	5.8		5.9		5.8		5.8	Annual	1988	
	6.1		5.8		5.5		6.0	Annual	1989	

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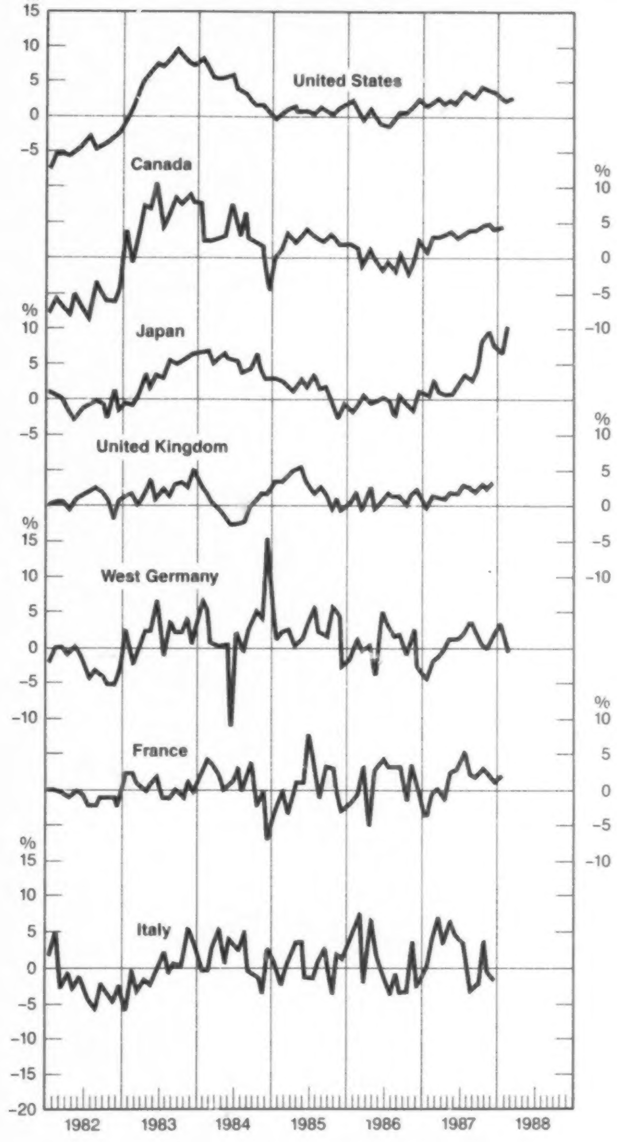
Selected International Comparisons

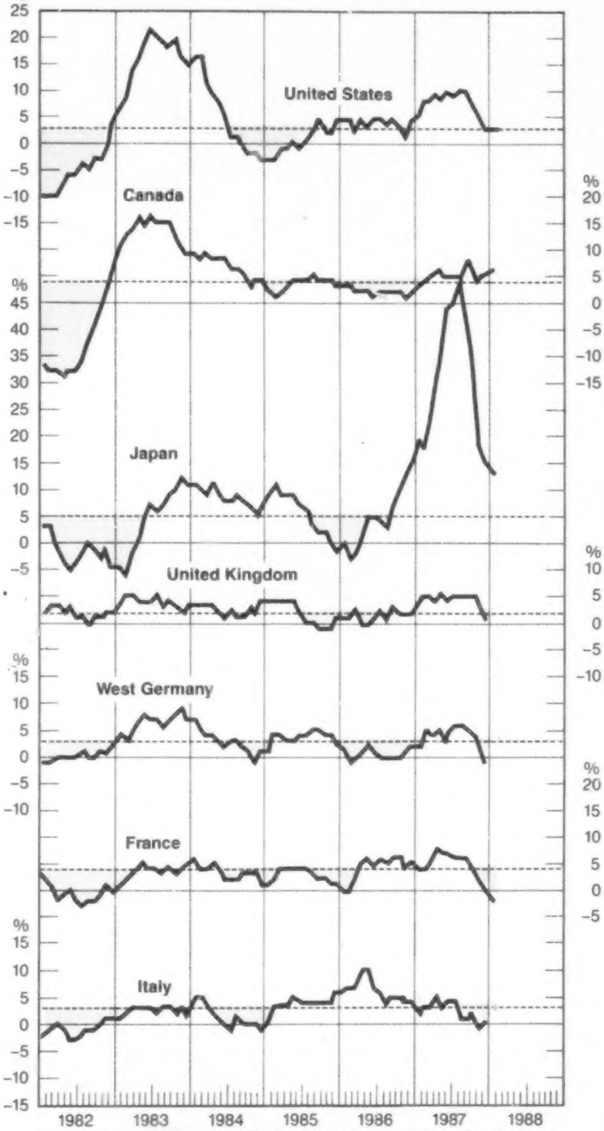
Industrial Production Indexes

Change Over Six Month Span



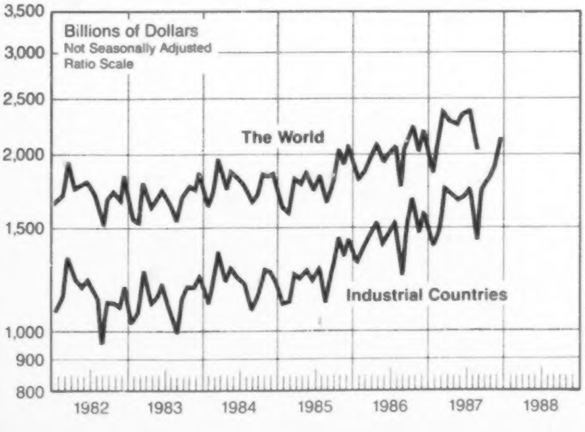
Leading Business Cycle Indexes

Change From Preceding Year

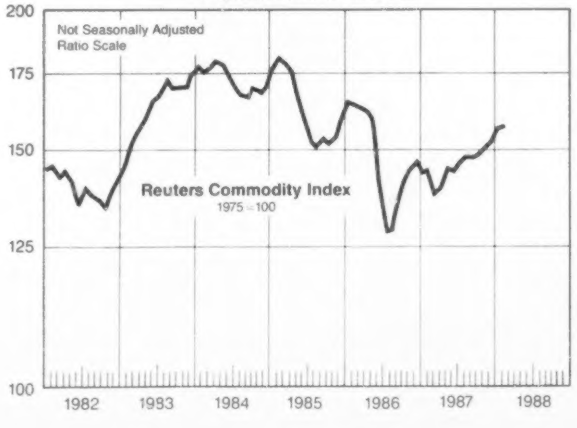


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

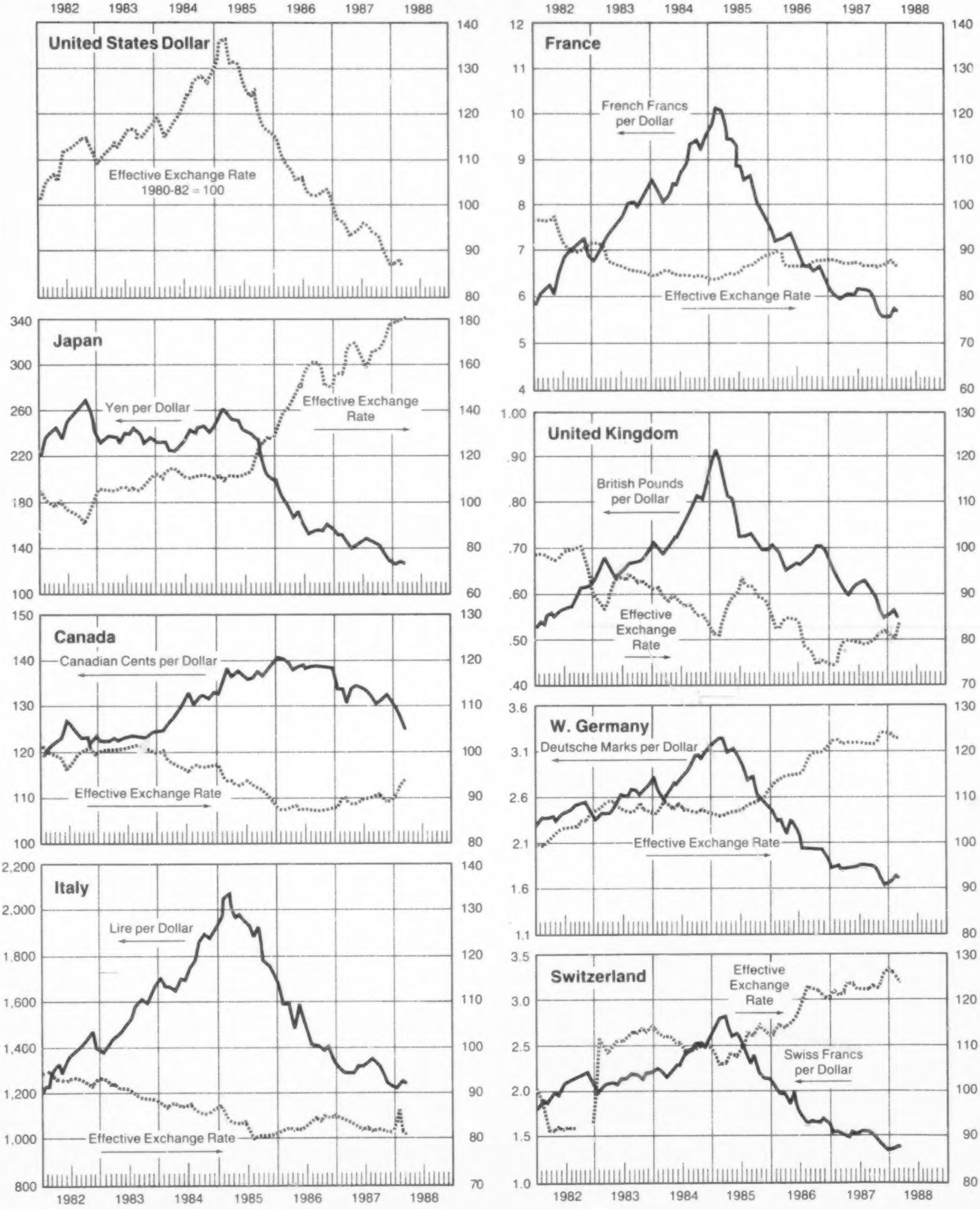


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

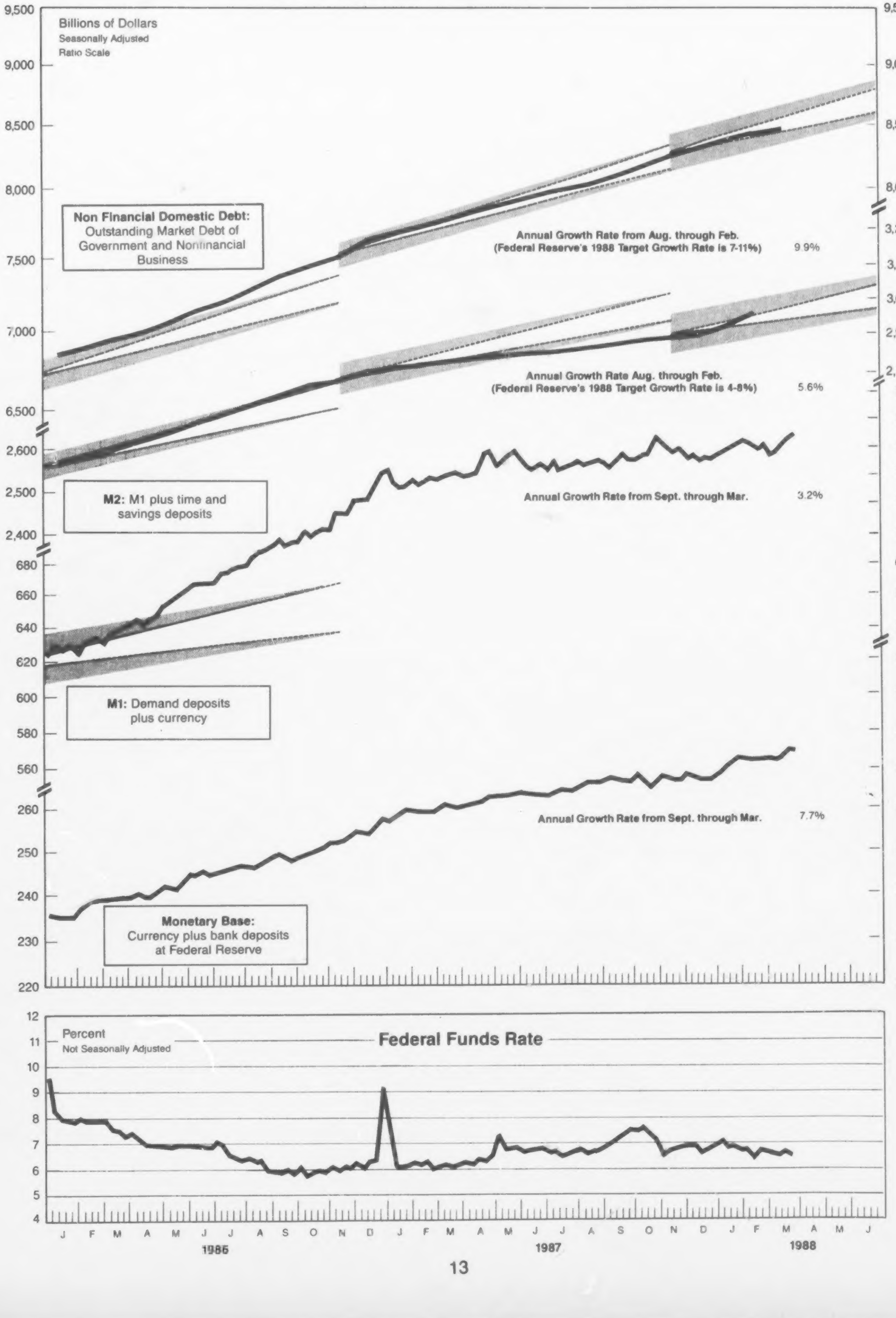
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 897.0**	**$ 964.7**	**$ 953.0**
Outlays	**1,004.6**	**1,055.9**	**1,055.0**	**1,094.5**	**1,129.0**
Deficit	**– 150.4**	**– 146.7**	**– 158.0**	**– 129.8**	**– 176.0**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 897.0**	**$ 964.7**	**$ 953.0**
Individual income	392.6	393.4		412.4	
Social security	303.3	331.5		354.6	
Corporate income	83.9	105.6		117.7	
Other receipts	74.4	78.7		90.0	
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,055.0**	**$1,094.5**	**$1,129.0**
Social security	282.5	298.6		317.8	
National defense	282.0	285.4		294.0	
Income security	123.2	129.6		135.6	
Health	40.0	44.5		47.8	
Education & manpower	29.7	33.7		37.4	
Veterans benefits	26.8	27.7		29.6	
Transportation	26.2	27.2		27.3	
Agriculture	27.4	22.4		21.7	
Natural resources	13.4	15.1		16.0	
International affairs	11.6	9.9		13.3	
General science	9.2	10.9		13.1	
Justice	7.5	9.0		9.9	
General government	7.6	8.8		9.5	
Commerce, housing credit	6.2	12.4		7.9	
Community development	5.1	6.3		5.9	
Energy	4.1	2.7		3.1	
Revenue sharing					
Interest	138.6	147.9		151.8	
Allowances					
Offsetting receipts	– 36.5	– 36.2		– 47.2	

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	+5.9%	+6.5%	+5.8%	+7.0%	+6.8%
Constant (1982) dollar	+2.9%	+2.9%	+2.3%	+3.1%	+2.6%
Implicit price deflator	+3.3%	+3.9%	+3.4%	+3.7%	+4.1%
Consumer price index	+4.6%	+4.3%	+4.5%	+3.9%	+4.9%
91-Day T bill rate	+5.8%	+5.3%	+6.2%	+5.2%	+6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets



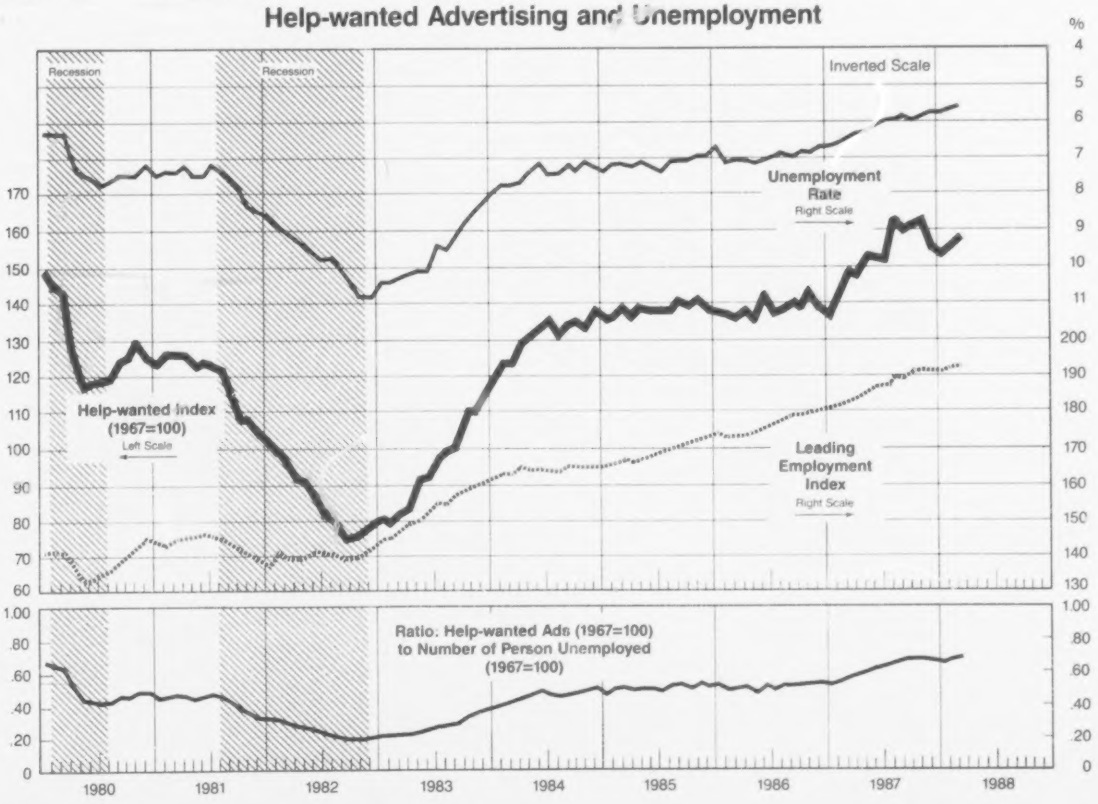
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1988		1987	
Locality	**Feb.**	**Jan.**	**Dec.**	**Feb.**
National Index	156	153	155	144r
New England	168	160	175	177
Boston	161	160	172	176
Hartford	181	164	186	193
Providence	179	158	178	167
Middle Atlantic	92	88	89	83
Albany	221	205	227	203
Allentown	383	307	444	307
New York	63	61	63	61
Philadelphia	95	92	75	74
Pittsburgh	95	96	91	91
Rochester	98	99	95	93
Syracuse	142	145	143	131
East North Central	105	107r	99	99r
Chicago	116	116	108	114
Cincinnati	167	169	151	147
Cleveland	70	71	63	63
Columbus	171	179	171	170r
Dayton	91	89	80	82
Detroit	54	59	54	55
Gary	178	174	174	148r
Indianapolis	112	111	112	107
Milwaukee	96	106r	93	76r
Toledo	141	129	127	124
West North Central	98	101	93	90
Kansas City	149	166	142	131
Minneapolis	85	79	77	80
Omaha	146	149	136	132
St. Louis	69	70	68	65
South Atlantic	210	207r	222	194
Atlanta	261	280	275	256
Baltimore	224	208r	289	216r
Charlotte	209	197	196	179
Jacksonville	230	227	233	230
Miami	171	163	166	99
Richmond	147	146	149	162
Washington, D.C.	200	194	191	190
East South Central	160	166	168	151
Birmingham	178	166	179	168
Knoxville	277	267	301	256
Louisville	94	120	92	80
Memphis	140	139	136	132
Nashville	174	193	207	180
West South Central	183	169	162	155
Dallas	168	153	157	141
Houston	261	226	208	216
New Orleans	126	130	128	115
Oklahoma City	119	121	107	101
San Antonio	147	154	156	140
Tulsa	140	145	129	115
Mountain	308	308	329	290
Denver	205	217	211	181
Phoenix	398	394	475	408
Salt Lake City	381	365	354	358
Pacific	248	241	251	228r
Los Angeles	172	170	167	161r
Sacramento	445	447	456	436
San Bernadino	N.A.	297	300	283
San Diego	595	549	680	525r
San Francisco	251	244	242	227
Seattle	229	233	233	213
Percentage of papers with rising volume	57	59r	25	86r
Unemployment rate	5.7	5.8	5.8	6.7

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9r	112.8p									

Expectations Index

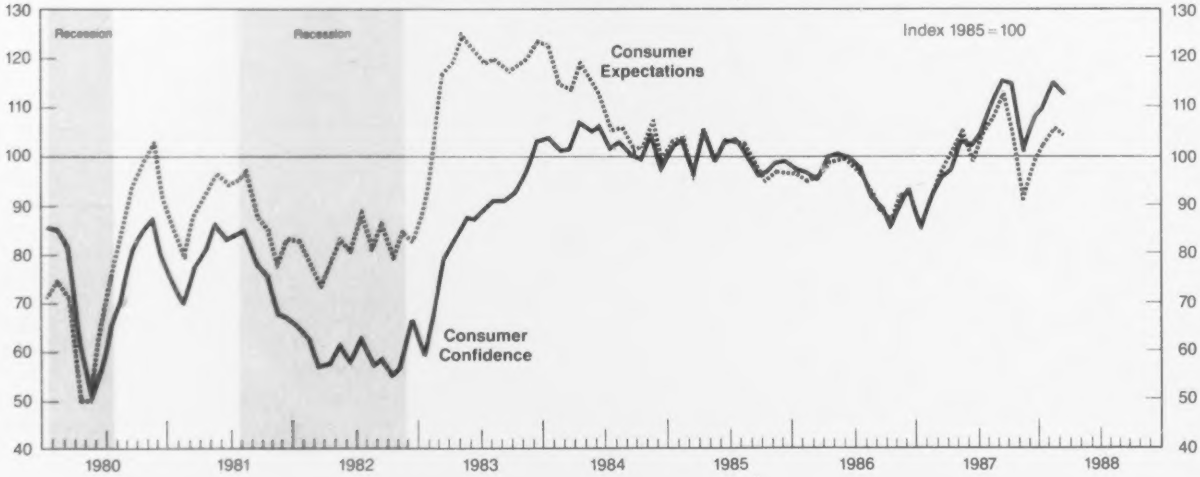
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5r	104.8p									

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



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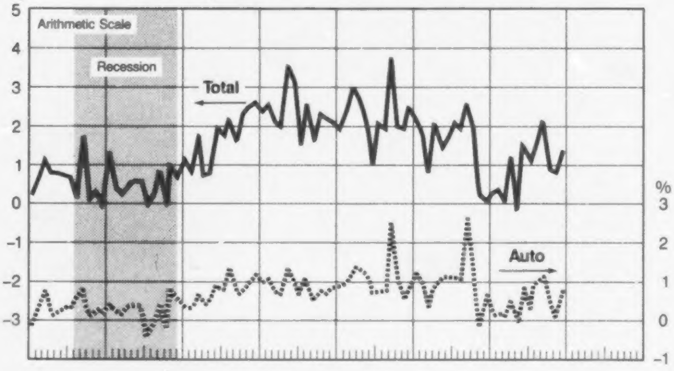
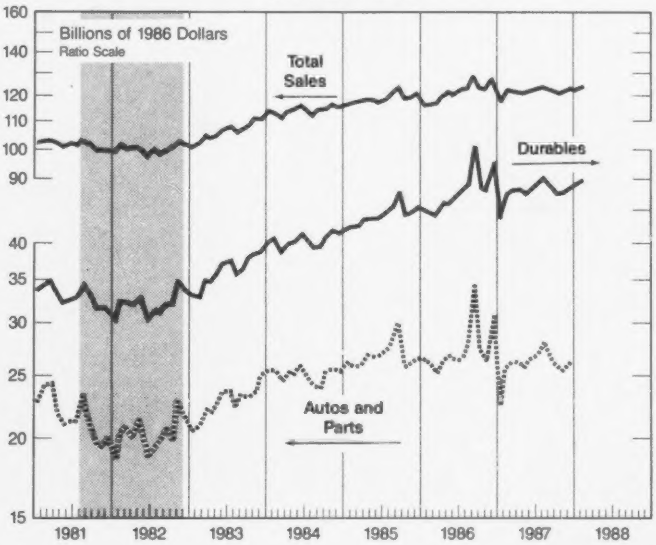
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



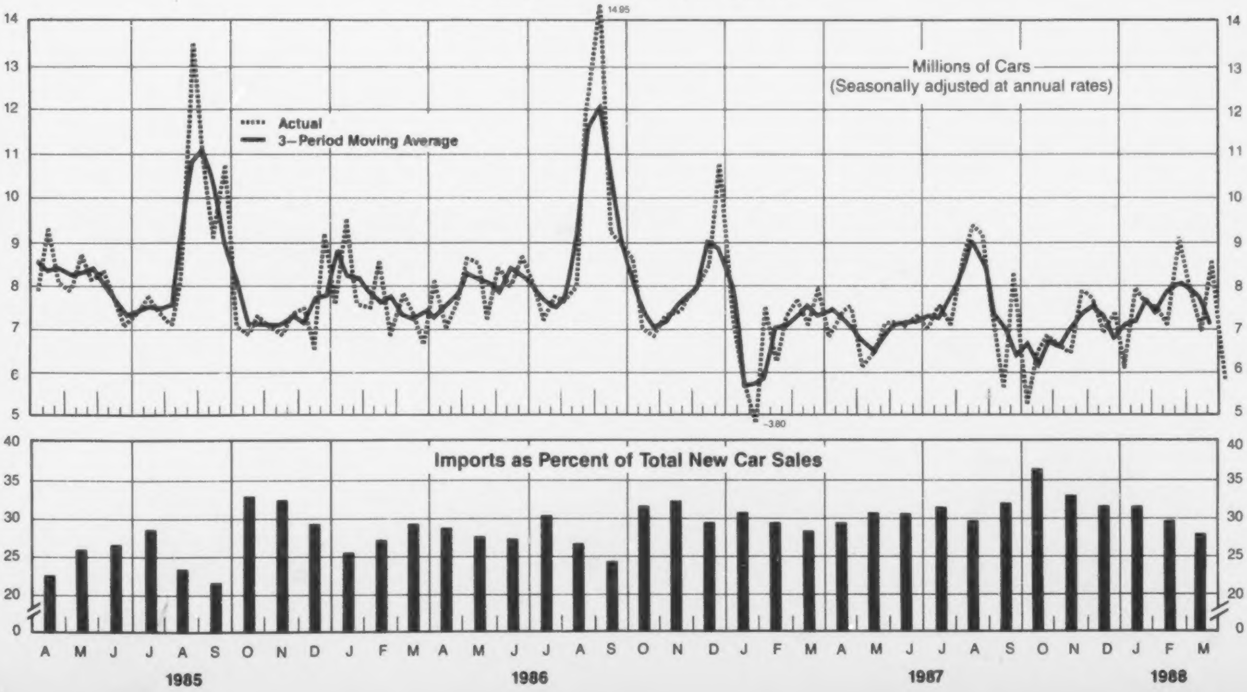
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	
	21-30	8.03	7.55	7.57	
May:	1-10	7.91	8.63	6.17	
	11-20	8.76	8.56	6.43	
	21-31	8.09	7.22	7.08	
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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Statistical Reference Index
Acquisitions
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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND GROWTH IS FALTERING HOME AND CAR SALES WERE WEAK EVEN BEFORE INTEREST RATES ROSE
- AND INCOME GROWTH, CREDIT DEMAND, AND CONFIDENCE SHOW LESS VIGOR
- MEANWHILE, INVENTORY PILES UP AND NEW ORDERS SLOW
- EXPORT GROWTH MODERATING
- INFLATION INDICATORS REMAIN STEADY
- OUTLOOK • MODERATE GNP GROWTH OF ABOUT 2½% FOR THE REST OF THIS YEAR; LESS GROWTH NEXT YEAR

Volume 21, No. 5, May, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: The direction of the U.S. economy is harder to discern right now. Both concerns about the economy overheating (perhaps, leading to more inflation) and about an imminent recession are widely shared. The statistical releases, however, describe more weakness than strength. The lack of growth in the labor force in recent months may be a signal of more discouraged jobseekers. The want-ad data suggest labor demand is no longer rising, and there has been little change in hourly pay rates. On the production front, the rise in new orders has ended and inventory is piling up.

Even the two strongest elements in the economy right now—capital investment and exports—show some signs of weakness. The very strong export surge has moderated. While capital investment in plant and equipment has apparently boomed in the first half of 1988, there are two caveats in order regarding that boom. First, a good portion (perhaps as much as half) of the capital equipment is being purchased from abroad, limiting the beneficial effects on domestic suppliers. Secondly, capital investment represents only about 10% of GNP. Unless the other 90% of the economy unexpectedly picks up steam, there is a greater danger of a slow down than of overheating.

DOMESTIC MARKET MONITOR

Concern about the labor market overheating appears unwarranted. The announcement of a 5.4% unemployment rate in April renewed fears that labor shortages would put upward pressure on labor costs—triggering more inflation. Shortly after the announcement, the prime interest rate was raised. But so far, even the persistent and fairly strong rise in hiring over recent months has not led to any surge in average hourly pay.

And there have been indications of a moderating trend in labor demand since late last year. For example, ordinarily, continued strong hiring in a low-unemployment environment generates added want-ad volume—as employers go an extra mile to find good job candidates. However, The Conference Board's **Help-wanted Index** shows that hasn't occurred. The Index stood above 160 (1967 = 100) in October and November 1987 but has since remained below that mark. Early returns to the April survey show no real gain in want-ad volume. In addition, the **Economic Forecasts** continue to predict small increases in the unemployment rate—perhaps to a little more than 6% by Summer. This strongly indicates that some waning in labor market activity will soon develop.

INCOME: If new hiring does begin to slacken, it will rein in wage growth, which in recent months has been more attributable to job gains than to pay rate hikes. The average hourly pay rate in private industry was $9.22 in April, compared with $9.13 in January, about a 1% rise. Wages in commodity-producing industry were 1.6% higher in March than three months earlier, while wages in the "other" industry category were up by 1.7 percent. These moderate increases in wages, in evidence for months now, are good news on the inflation front but also represent a constraint on rising consumer demand.

Nonwage income growth has begun to flag in important areas. True,the recent growth in dividends and shopkeepers' income matches that of wages. But interest income has been flat. Rental income has again declined, even though new construction has been mired in a slump.

The data on credit demand already appears to be signalling some weakening in consumer demand. The ratio of **Consumer Installment Debt Expansion to Personal Income** dipped in March while the ratio for auto-related loans remained unchanged. That suggests consumers are already cutting back on purchases of such items as appliances and furniture, if the purchase has to be financed.

Consumer attitudes may actually have brightened in recent months, and that could be a problem. At 114.6 (1985 = 100) in April, The Conference Board's **Consumer Confidence Index** was close to the record level set back in October. However, the Expectations component of that series stood at 111.8 in April, compared with a reading of 108.9 back in October. In fact, the consumer appraisal of job and pay prospects six months hence dipped in the wake of the stock market crash but have since climbed even higher than before that event. No doubt the steady stream of good labor report news has buoyed confidence. But as the immediate reaction to the stock market crash showed, if the labor market sours, confidence could quickly disappear—dragging consumer willingness to spend with it.

SPENDING: The data on consumer spending suggest slowing growth. Retail sales, except autos, were 2% higher in April than three months earlier. And sales of durable goods, except autos, were a full 3.9% higher. That suggests consumers once again stepped up the pace of nonauto borrowing in April. However, consumers are not showing much inclination to continue down that road for long.

The spending data bear very close watching in coming months for clues as to where the economy is headed. One important clue is already in and it is decidedly negative. New domestic **Automobile Sales** were steady at a 7.8 to 7.9 million seasonally adjusted annual rate per 10-day period in February and March. That rate,which was below producer expectations, fell to an average of only 6.8 million in April. If the prime rate hike spurs higher auto loan rates, this interest-sensitive sector will suffer further. Some job and production cutbacks are already underway.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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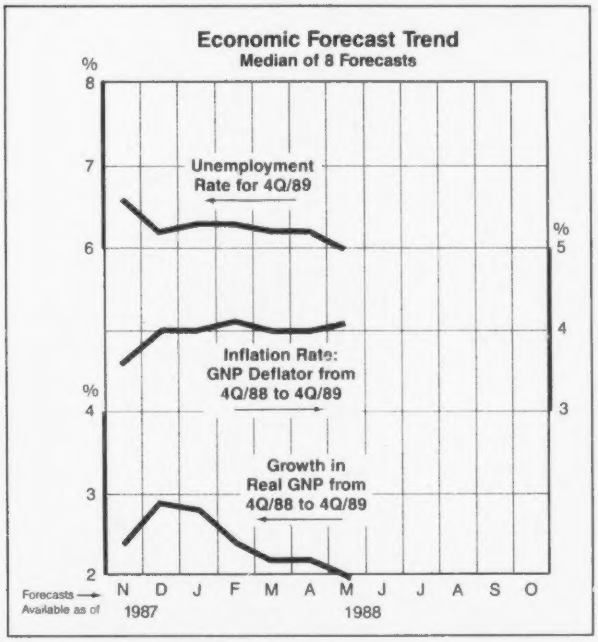


CONSTRUCTION: Home sales, though still at a depressed level, are staging a comeback. Sales of new single-family homes were at about the same level in March as last October. Although home prices have dipped, sales will be constrained if mortgage rates rise now that the prime rate has.

New home construction has been brisk. New single-unit starts were 14.5% higher in March than three months earlier. Even without any rise in mortgage rates, that pace is unsustainable, however, as new construction has outpaced sales, resulting in a rise in the inventory of unsold homes.

Long mired in a slump, nonresidential construction is showing limited signs of recovery. Industrial building was almost 8% higher in March than three months earlier. But office, commercial, and public building were all lower.

PRODUCTION: Output growth remains brisk despite a slowing in new order. Output of finished consumer durable goods was 1.4% higher in March than three months earlier, while that of finished business equipment was up by 1.7 percent. The production of semi-finished goods rose 1.2 percent. Given the hiring pace in April and a lengthening of the average workweek, industrial production gains probably continued strong that month.

There are signs that the pace of production may slow down soon. Producers have been filling old orders faster than new orders received. New orders for durable goods, except defense-related, were 1.1% lower in March than three months earlier, while shipments were 1.3% higher. Orders for both finished goods and raw materials fell.

INVENTORY: Clearly, the data on new orders and inventory have given a less-than-clear picture over the last few months. It is as puzzling now why inventory growth has slowed as new orders have declined, as it was earlier when inventory was rising despite a fairly brisk rate of new orders. It would appear that producers simply went ahead and stepped up production schedules, a risky strategy given the conflicting underlying data.

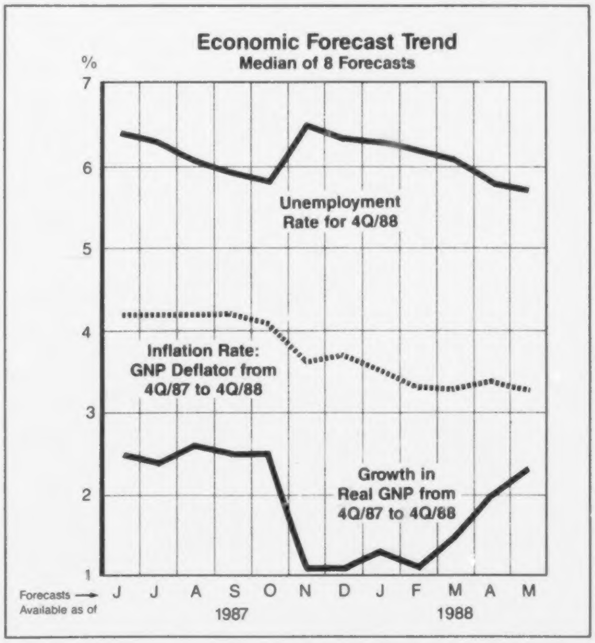
INFLATION: A month ago, we reported here that the consensus of the **Economic Forecasts** was for a 4.1% annualized rise in the CPI by the fourth quarter of 1988, and for a 4.7% rise by the fourth quarter of 1989. In the interim, the prime rate was raised a half point in response to perceived inflationary expectations. Nevertheless, the consensus of the Forecasts this month is not much changed. Indeed, that consensus envisions not more than a 5.1% rise even by the second quarter of 1990.

Raw industrial metal prices rose 0.9% in April, after declining for three months. Wholesale prices rose 0.4% in April, less than the 0.6% rise in March. In other news, the rise in import prices in the first quarter was below the domestic inflation rate. These data do not describe sharply rising inflation.

INTERNATIONAL MONITOR

Import growth remains modest but export growth has slowed. Total manufacturing imports were only 1.5% higher in February than three months earlier. Total manufactured exports were acutally 1% lower. These data reflect a lack of strong improvement in the trade deficit, which adversely affects the dollar's exchange value. Moreover, the lack of strong U.S. exports adversely affects domestic production. That's another reason why the economy may be closer to slowing down than to overheating.

Ken Goldstein
May 13, 1988

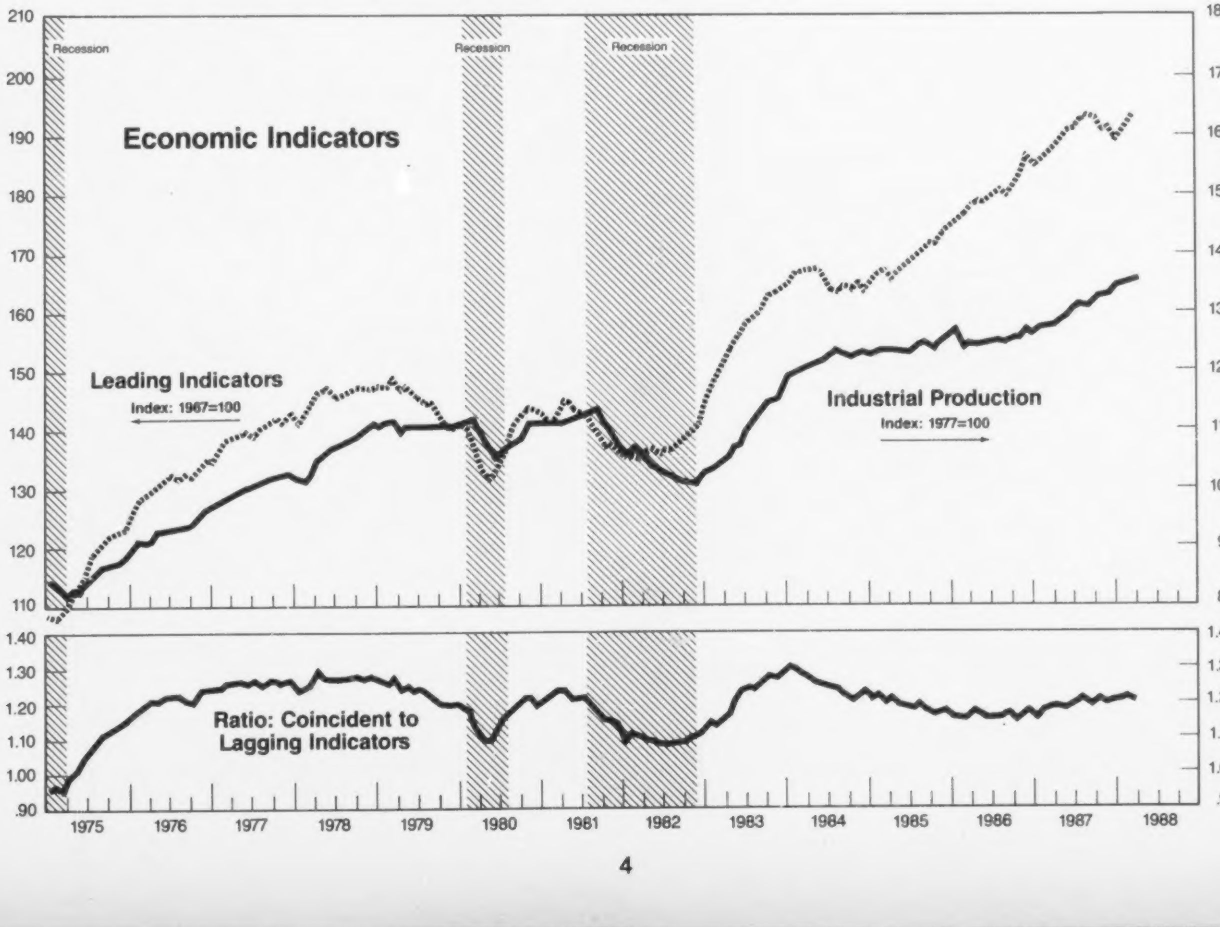


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Mar.	X			1.4%	3.0%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Mar.			X	– 0.5%	15.8%
New orders, nondefense capital goods (deflated)	Mar.			X	0.6%	19.8%
*New business formation	Mar.			X	0.6%	0.3%
*Housing permits	Mar.	X			7.7%	–14.7%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Mar.		X		– 0.6%	0.5%
*Change in inventory, on hand & order (deflated)	Feb.		X		6.8%	23.1%
Purchasing agents' buying policy	Apr.		X		– 2.0%	– 3.0%
*Vendor performance, reported slower deliveries	Mar.		X		– 2.0%	14.0%
Industrial raw materials prices	Apr.	X			1.6%	17.1%
*Change in sensitive material prices	Mar.		X		– 0.6%	– 0.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Mar.	X			1.3%	0.9%
Change in business loans	Mar.			X	134.4%	– 32.8%
*Change in credit outstanding	Feb.	X			4.9%	9.1%
Change in consumer installment debt	Feb.	X			42.1%	31.9%
Profitability						
Total corporate profits, after tax (deflated)	4th.Q	X			1.0%	13.7%
*Common stock prices	Apr.	X			5.5%	– 8.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.	X			0hr	0.6hr
*Initial unemployment claims (inverted)	Mar.	X			2.6%	10.9%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



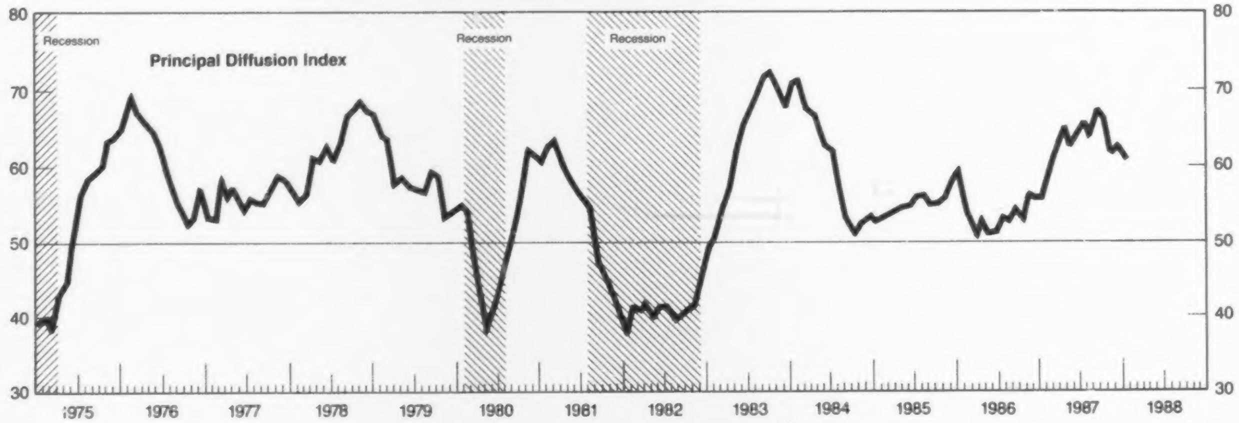
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Mar.	1987 Dec.	1988 Jan.	1988 Feb.	1988 Mar.(e)
Principal Diffusion Index	61.0r	60.2r	58.1r	59.7r	59.7
Auxillary Diffusion Index	59.6r	52.3r	43.2r	49.3r	55.9
Industrial Group	58.3	61.7r	57.8r	57.4r	61.2
Nonindustrial Group	63.8r	58.7r	58.5r	58.3r	58.2
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	61.8	74.4r	68.8r	62.8r	67.5
Labor	58.2	53.6r	49.9r	53.8r	56.3
Miscellaneous	53.2	62.8	60.9	58.3r	64.1
Nonindustrial Subgroups					
Prices	78.2	59.6	64.1	60.9	57.7
Consumer	67.1r	65.4r	70.5r	69.7r	69.2
Building	45.8	45.5	38.5	47.4	48.1
Miscellaneous	62.8	60.3r	56.0r	52.6r	54.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate   r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985				*1986*				*1987*			
	May	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*
	Score (scale 0-100)											
Measure of Business Confidence	52	51	55	61	61	50	51	55	55	59	47	51
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	45	53	63	61	44	50	56	55	62	50	49
2. Expectations for Economy, Six Months Ahead	53	53	56	62	62	52	51	54	53	56	43	50
3. Expectations for Own Industry, Six Months Ahead	55	54	56	59	60	54	53	56	56	58	48	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question, and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1986			1987				Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	II	III	IV	I	IIr	IIIp	IVp	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	19.991	20.203	22.097	21.441	32.257	29.810	33.985	31%	12%
Capital expenditures	24.309	22.452	23.299	20.801	25.933	27.491	29.328	11	18
Change in appropriations backlog*	-6.447	-5.060	-10.990	-0.550	+5.460	+0.070	+2.110		
Durable Goods									
New appropriations	9.578	10.807	10.807	9.746	16.515	18.095	19.018	55	8
Capital expenditures	11.880	12.186	12.915	11.124	14.006	14.847	15.665	17	23
Change in appropriations backlog*	-3.824	-3.986	-4.140	-2.070	+2.310	+2.930	+3.130		
Nondurable Goods									
New appropriations	10.413	10.152	11.290	11.695	15.742	11.715	14.970	24	17
Capital expenditures	12.429	10.266	10.384	9.677	11.927	12.644	13.663	6	14
Change in appropriations backlog*	-2.623	-1.074	-6.853	+1.520	+3.160	-2.890	-1.020		
ELECTRIC & GAS UTILITIES									
New appropriations	5.544	5.530	5.491	6.482r	5.569r	5.138p			
Capital expenditures	7.702	7.535	6.080	7.649r	7.032r	7.746p			
Change in appropriations backlog*	-3.840	-2.110	-1.005	-0.840r	-1.590r	-2.670p			

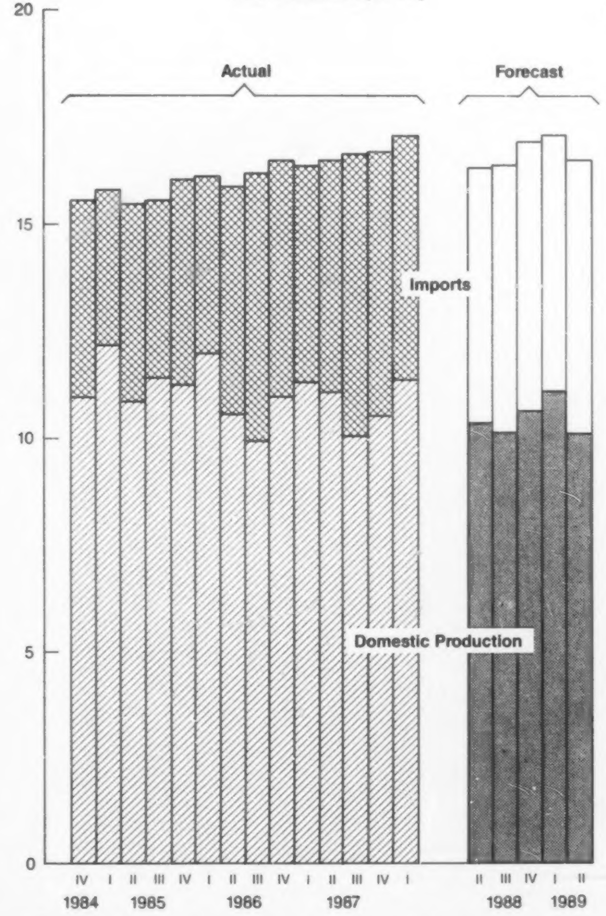
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

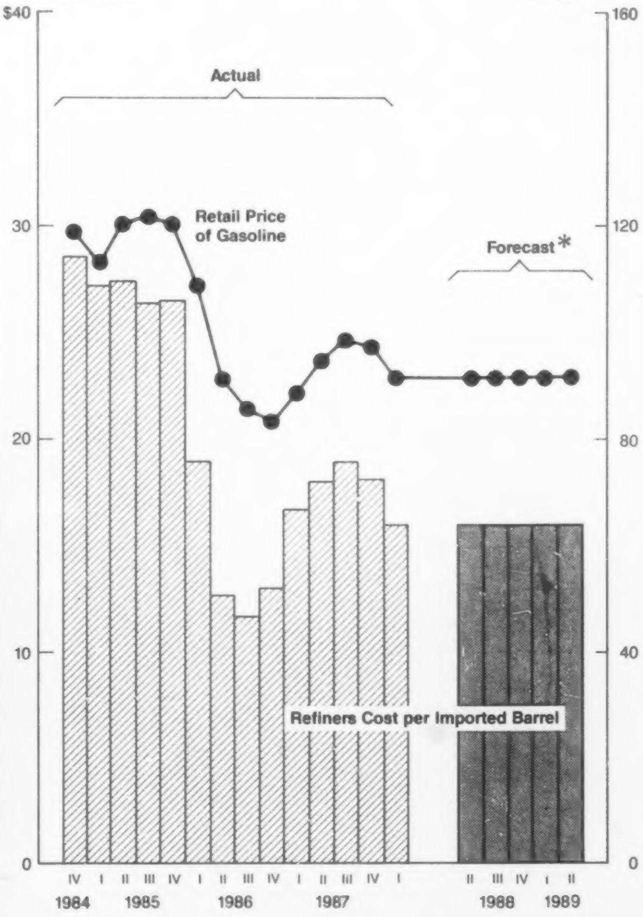
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Oil Supply

Millions of Barrels per Day

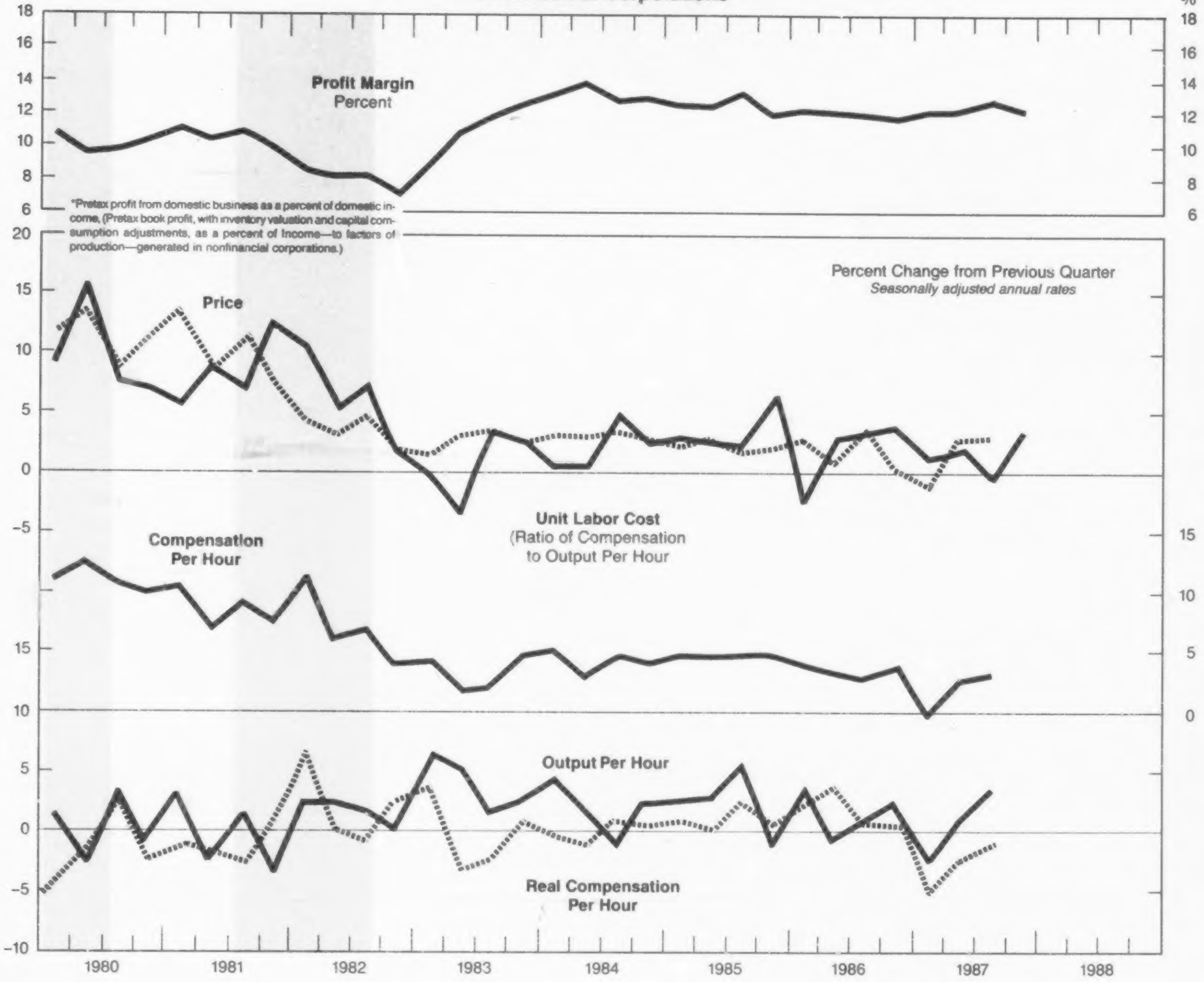


Oil Price

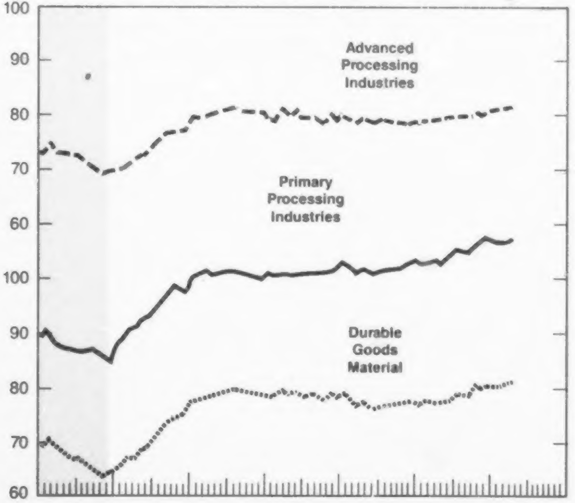


* Source of Forecast is The Energy Information Administration; Department of Energy.

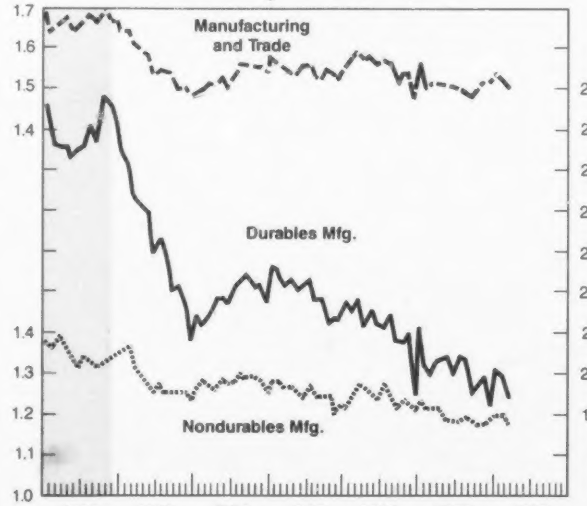
Key Determinants of Profit Margin
Nonfinancial Corporations


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory—Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*Apr., 1988*		*Apr., 1988*		*Apr., 1988*		*Apr., 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**I**	**$4660.9**	**4.7%**	**$4660.9**	**4.7%**	**$4660.9**	**4.7%**	**$4660.9**	**4.7%**
Forecast	1988	II	4665.0	0.4	4741.6	7.1	4733.5	6.4	4740.1	7.0
		III	4672.1	0.6	4827.9	7.5	4781.2	4.1	4814.1	6.4
		IV	4707.9	3.1	4914.6	7.4	4850.9	6.0	4869.6	4.7
	1989	I	4796.0	7.7	5003.5	7.4	4919.0	5.7	4936.0	5.6
		II	4881.1	7.3	5053.7	4.1	5014.2	8.0	5000.4	5.3
		III	4976.7	8.1	5104.3	4.1	5103.7	7.3	5040.0	3.2
		IV	5084.3	8.9	5211.4	8.7	5190.4	7.0	5085.3	3.6
	1990	I	5178.6	7.6			5283.6	7.4		
		II	5252.8	5.9			5392.1	8.5		
	1988	Annual	4676.5	4.2	4786.3	6.6	4756.6	6.0	4771.2	6.3
	1989	Annual	4934.5	5.5	5093.2	6.4	5056.8	6.3	5015.4	5.1
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**I**	**$3902.6**	**2.3%**	**$3902.6**	**2.3**	**$3902.6**	**2.3%**	**$3902.6**	**2.3%**
Forecast	1988	II	3867.0	–3.6	3932.7	3.1	3912.0	1.0	3928.0	2.6
		III	3843.4	–2.4	3960.1	2.8	3919.0	0.7	3952.1	2.5
		IV	3841.2	–0.2	3985.5	2.6	3931.0	1.2	3966.0	1.4
	1989	I	3876.9	3.8	4007.0	2.2	3951.0	2.1	3978.1	1.2
		II	3911.9	3.7	4000.5	–0.6	3989.0	3.9	3983.5	0.5
		III	3954.9	4.5	3995.5	–0.5	4025.0	3.7	3968.5	–1.5
		IV	4003.1	5.0	4035.5	4.1	4055.0	3.0	3960.5	–0.8
	1990	I	4032.5	3.0			4080.0	2.5		
		II	4047.9	1.5			4113.0	3.3		
	1988	Annual	3863.6	1.1	3945.2	3.2	3916.2	2.5	3937.2	3.0
	1989	Annual	3936.7	1.9	4009.2	1.6	4005.0	2.3	3972.7	0.9
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**I**	**119.4**	**2.4%**	**119.4**	**2.4%**	**119.4**	**2.4%**	**119.4**	**2.4%**
Forecast	1988	II	120.6	4.1	120.6	3.9	121.0	5.4	120.7	4.2
		III	121.6	3.1	121.9	4.5	122.0	3.4	121.8	3.8
		IV	122.6	3.3	123.3	4.7	123.4	4.7	122.8	3.2
	1990	I	123.7	3.8	124.9	5.1	124.5	3.6	124.1	4.3
		II	124.8	3.5	126.3	4.8	125.7	3.9	125.5	4.8
		III	125.8	3.4	127.8	4.6	126.8	3.5	127.0	4.8
		IV	127.0	3.8	129.1	4.4	128.0	3.8	128.4	4.5
	1990	I	128.4	4.5			129.5	4.8		
		II	129.8	4.3			131.1	5.0		
	1988	Annual	121.0	3.1	121.3	3.3	121.5	3.4	121.2	3.2
	1989	Annual	125.3	3.5	127.0	4.7	126.3	3.9	126.3	4.2
Unemployment Rate										
Actual	**1988**	**I**		**5.7%**		**5.7%**		**5.7%**		**5.7%**
Forecast	1988	II		5.9		5.5		5.8		5.6
		III		6.2		5.3		5.9		5.4
		IV		6.6		5.1		6.0		5.3
	1989	I		6.8		5.1		6.0		5.3
		II		6.8		5.5		6.0		5.4
		III		6.6		6.0		5.9		5.6
		IV		6.4		5.8		5.8		5,9
	1990	I		6.1				5.8		
		II		6.0				5.7		
	1988	Annual		6.1		5.4		5.9		5.5
	1989	Annual		6.6		5.6		5.9		5.6

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[1] Based on preliminary first quarter data.

ECONOMIC FORECASTS (continued)

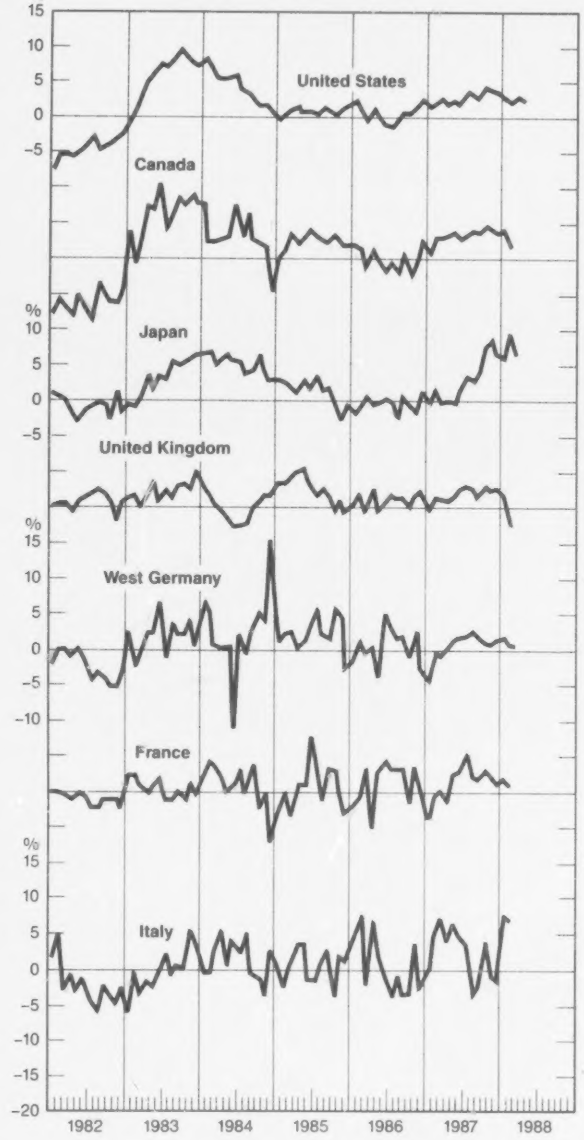
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
Apr., 1988		*Apr., 1988*		*Apr., 1988*		*Apr., 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4660.9	**4.7%**	**$4660.9**	**4.7%**	**$4660.9**	**4.7%**	**$4660.9**	**4.7%**	**I**	**1988**	**Actual**
4727.0	5.8	4724.6	5.6	4718.7	5.1	4726.5	5.7	II	1988	Forecast
4795.0	5.9	4788.2	5.5	4781.3	5.5	4805.2	6.8	III		
4879.0	7.2	4850.8	5.3	4847.3	5.6	4885.9	6.9	IV		
4959.0	6.7	4912.5	5.2	4938.8	7.8	4971.4	7.2	I	1989	
5021.0	5.1	4985.9	6.1	5018.8	6.6	5045.3	6.1	II		
5044.0	1.8	5057.0	5.8	5108.0	7.3	5118.2	5.9	III		
5079.0	2.8	5136.1	6.4	5213.7	8.5	5188.5	5.6	IV		
		5234.2	7.9	5312.6	7.8	5262.5	5.8	I	1990	
		5327.9	7.4	5404.7	7.1	5366.2	8.1	II		
4765.2	6.2	4756.1	6.0	4752.2	5.9	4769.6	6.3	Annual	1988	
5025.8	5.5	5022.9	5.6	5069.8	6.7	5080.9	6.5	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3902.6	**2.3%**	**$3902.6**	**2.3%**	**$3902.6**	**2.3%**	**$3902.6**	**2.3%**	**I**	**1988**	**Actual**
3929.3	2.8	3925.8	2.4	3916.7	1.5	3917.9	1.6	II	1988	Forecast
3953.0	2.4	3949.7	2.5	3939.6	2.4	3948.4	3.2	III		
3982.9	3.1	3973.1	2.4	3960.4	2.1	3979.0	3.1	IV		
4005.7	2.3	3935.1	1.2	3995.8	3.6	4007.6	2.9	I	1989	
4010.4	0.5	4008.0	2.3	4021.6	2.6	4021.0	1.3	II		
3990.5	–2.0	4028.9	2.1	4054.3	3.3	4033.1	1.2	III		
3980.4	–1.0	4056.5	2.8	4095.5	4.1	4043.5	1.0	IV		
		4089.0	3.2	4122.0	2.6	4052.2	0.9	I	1990	
		4121.7	3.2	4145.6	2.3	4085.7	3.3	II		
3942.0	3.2	3937.8	3.1	3929.8	2.8	3937.0	3.0	Annual	1988	
3996.8	1.4	4019.6	2.1	4041.8	2.8	4026.3	2.3	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
119.4	**2.4%**	119.4	**2.4%**	119.4	**2.4%**	119.4	**2.4%**	**I**	**1988**	**Actual**
120.3	2.9	120.3	3.1	120.5	3.5	120.6	4.1	II	1988	Forecast
121.3	3.4	121.2	3.0	121.4	3.0	121.7	3.6	III		
122.5	4.0	122.1	2.9	122.4	3.4	122.8	3.6	IV		
123.8	4.3	123.3	3.9	123.6	4.0	124.0	4.2	I	1989	
125.2	4.6	124.4	3.7	124.8	3.9	125.5	4.7	II		
126.4	3.9	125.5	3.6	126.0	3.9	126.9	4.6	III		
127.6	3.9	126.6	3.5	127.3	4.2	128.3	4.5	IV		
		128.0	4.5	128.9	5.1	129.9	4.9	I	1990	
		129.3	4.0	130.4	4.7	131.3	4.6	II		
120.9	2.9	120.8	2.8	120.9	2.9	121.1	3.1	Annual	1988	
125.7	4.0	125.0	3.5	125.4	3.7	126.2	4.2	Annual	1989	
								Unemployment Rate		
	5.7%		**5.7%**		**5.7%**		**5.7%**	**I**	**1988**	**Actual**
	5.4		5.7		5.7		5.6	II	1988	Forecast
	5.4		5.7		5.7		5.6	III		
	5.2		5.8		5.8		5.6	IV		
	5.3		5.8		5.7		5.6	I	1989	
	5.5		5.9		5.7		5.7	II		
	5.9		6.0		5.6		5.8	III		
	6.2		6.0		5.4		6.0	IV		
			5.9		5.3		6.3	I	1990	
			5.8		5.2		6.5	II		
	5.4		5.7		5.7		5.6	Annual	1988	
	5.7		5.9		5.6		5.8	Annual	1989	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

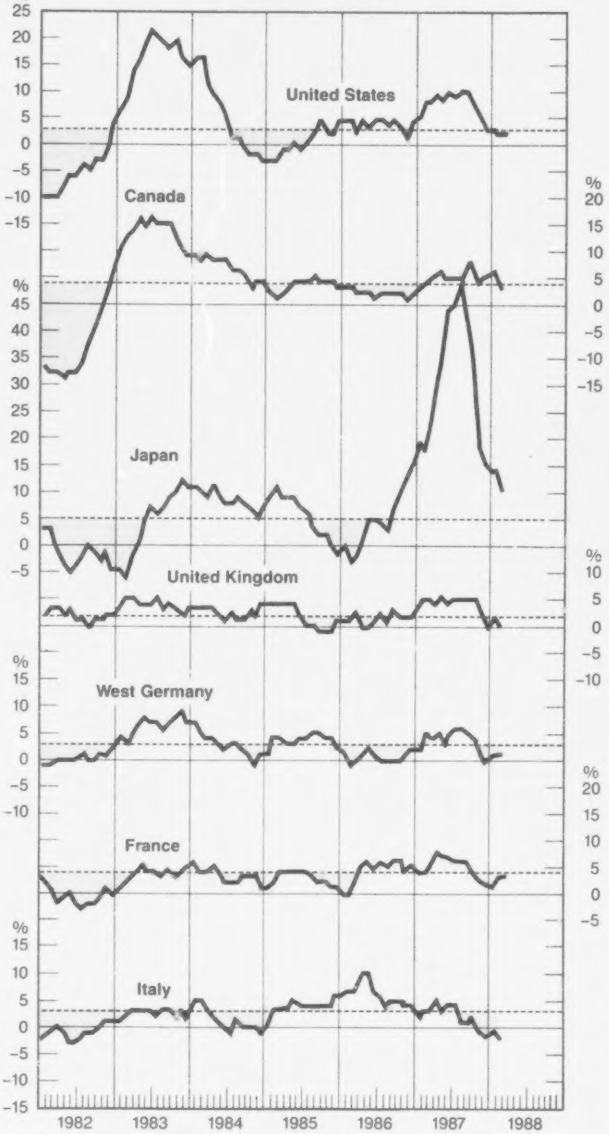
Industrial Production Indexes

Change Over Six Month Span



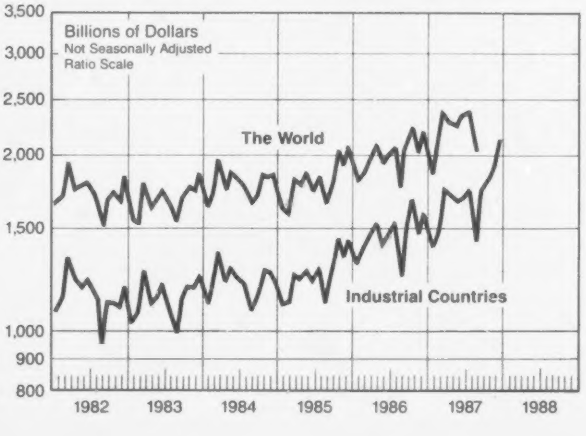
Leading Business Cycle Indexes

Change From Preceding Year

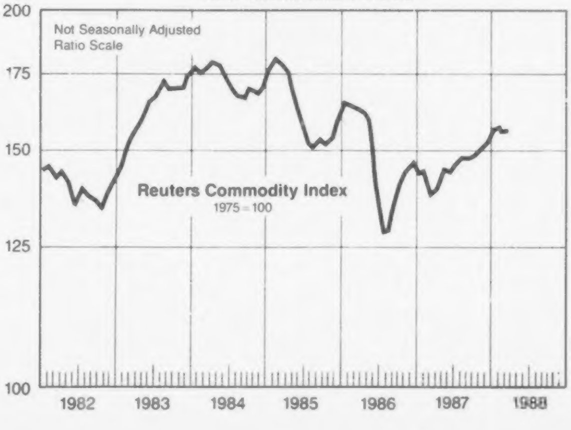


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

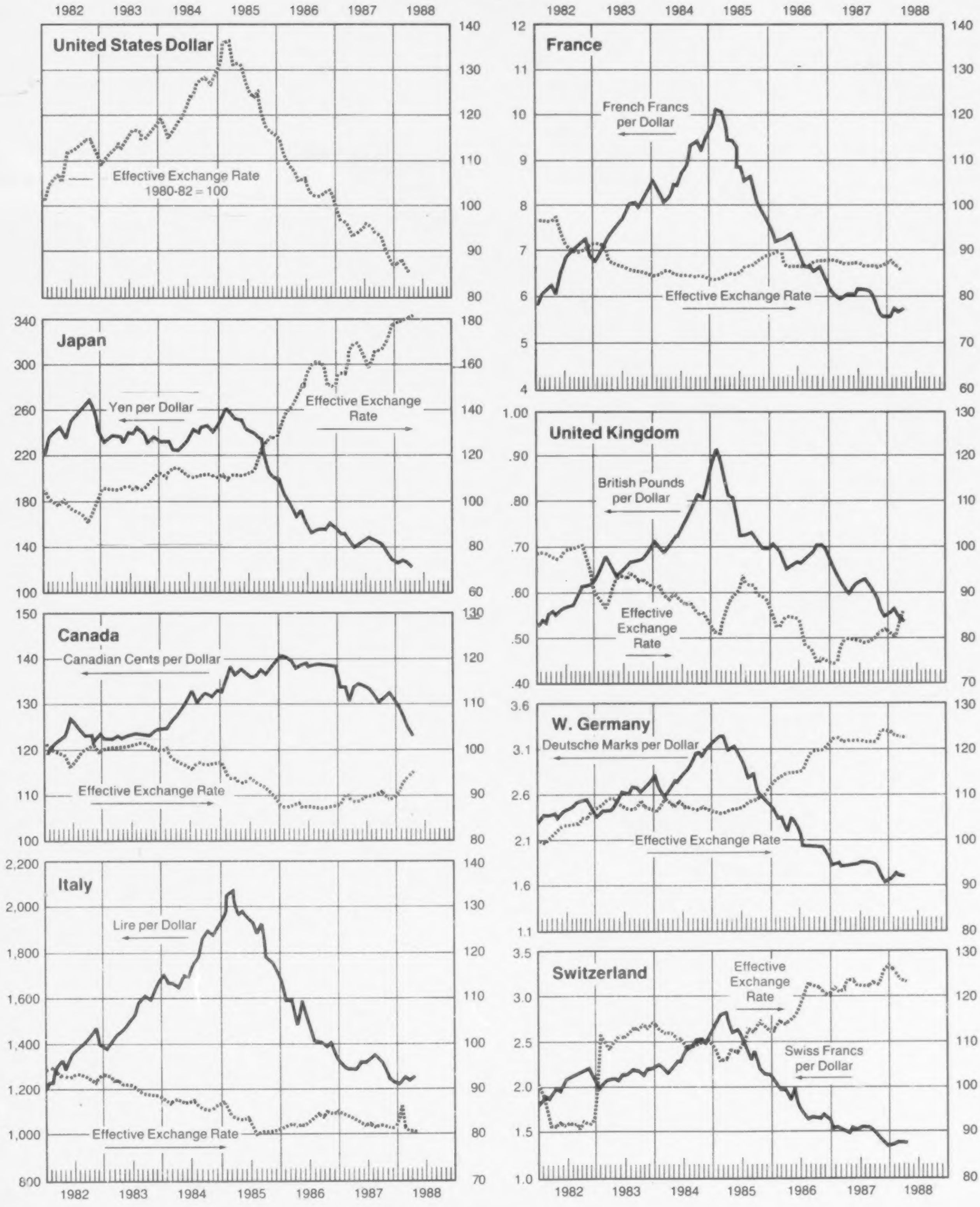


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

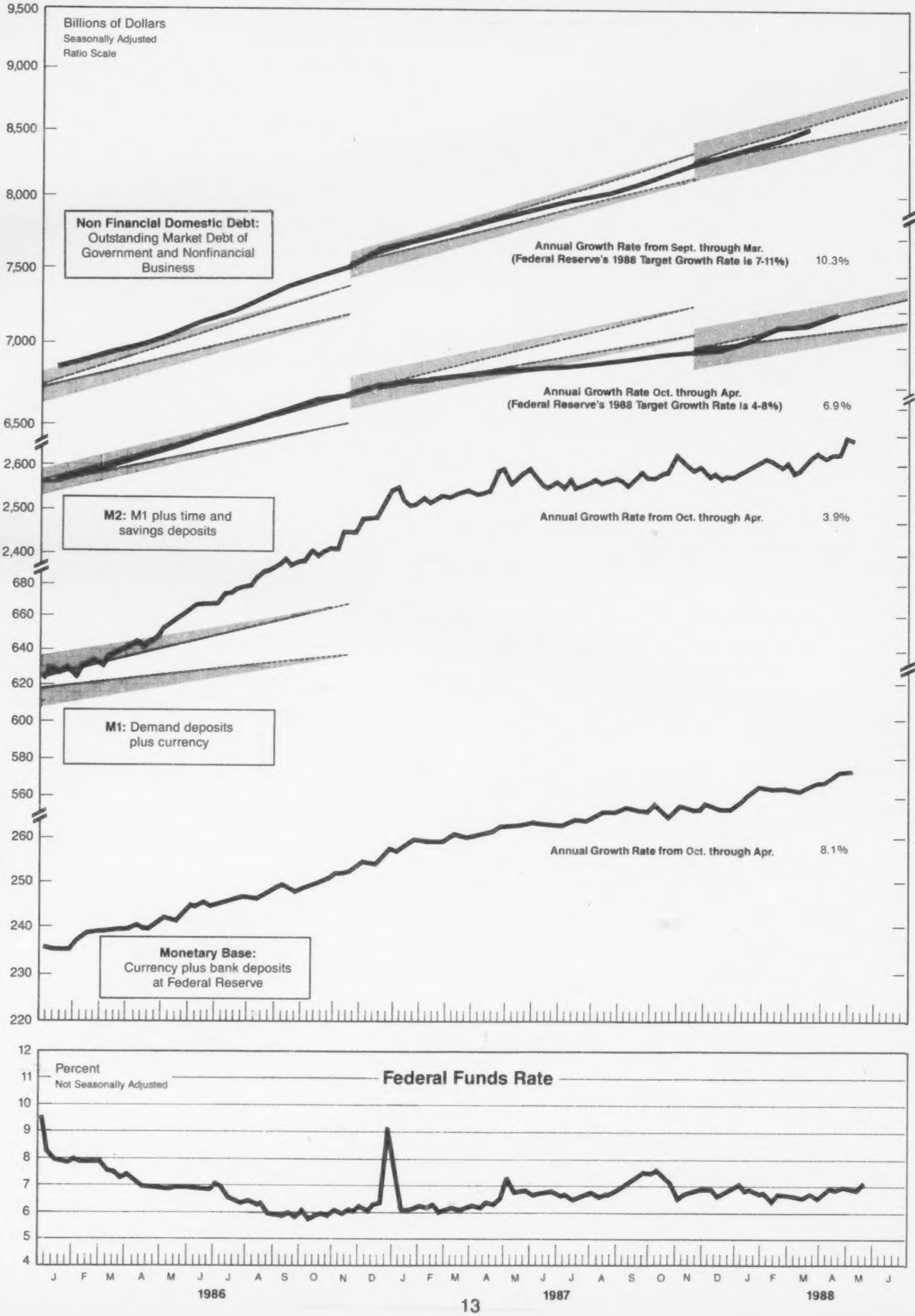
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 897.0**	**$ 964.7**	**$ 953.0**
Outlays	**1,004.6**	**1,055.9**	**1,055.0**	**1,094.5**	**1,129.0**
Deficit	**− 150.4**	**− 146.7**	**− 158.0**	**− 129.8**	**− 176.0**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 897.0**	**$ 964.7**	**$ 953.0**
Individual income	392.6	393.4		412.4	
Social security	303.3	331.5		354.6	
Corporate income	83.9	105.6		117.7	
Other receipts	74.4	78.7		80.0	
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,055.0**	**$1,094.5**	**$1,129.0**
Social security	282.5	298.6		317.8	
National defense	282.0	285.4		294.0	
Income security	123.2	129.6		135.6	
Health	40.0	44.5		47.8	
Education & manpower	29.7	33.7		37.4	
Veterans benefits	26.8	27.7		29.6	
Transportation	26.2	27.2		27.3	
Agriculture	27.4	22.4		21.7	
Natural resources	13.4	15.1		16.0	
International affairs	11.6	9.9		13.3	
General science	9.2	10.9		13.1	
Justice	7.5	9.0		9.9	
General government	7.6	8.8		9.5	
Commerce, housing credit	6.2	12.4		7.9	
Community development	5.1	6.3		5.9	
Energy	4.1	2.7		3.1	
Revenue sharing					
Interest	138.6	147.9		151.8	
Allowances					
Offsetting receipts	− 36.5	− 36.2		− 47.2	

ECONOMIC ASSUMPTIONS OF THE BUDGET

	Fiscal 1987 Actual	Fiscal 1988 Administration Estimate	Fiscal 1988 Congress's Estimate*	Fiscal 1989 Administration Estimate	Fiscal 1989 Congress's Estimate*
GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	+5.9%	+6.5%	+5.8%	+7.0%	+6.8%
Constant (1982) dollar	+2.9%	+2.9%	+2.3%	+3.1%	+2.6%
Implicit price deflator	+3.3%	+3.9%	+3.4%	+3.7%	+4.1%
Consumer price index	+4.6%	+4.3%	+4.5%	+3.9%	+4.9%
91-Day T bill rate	+5.8%	+5.3%	+6.2%	+5.2%	+6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets



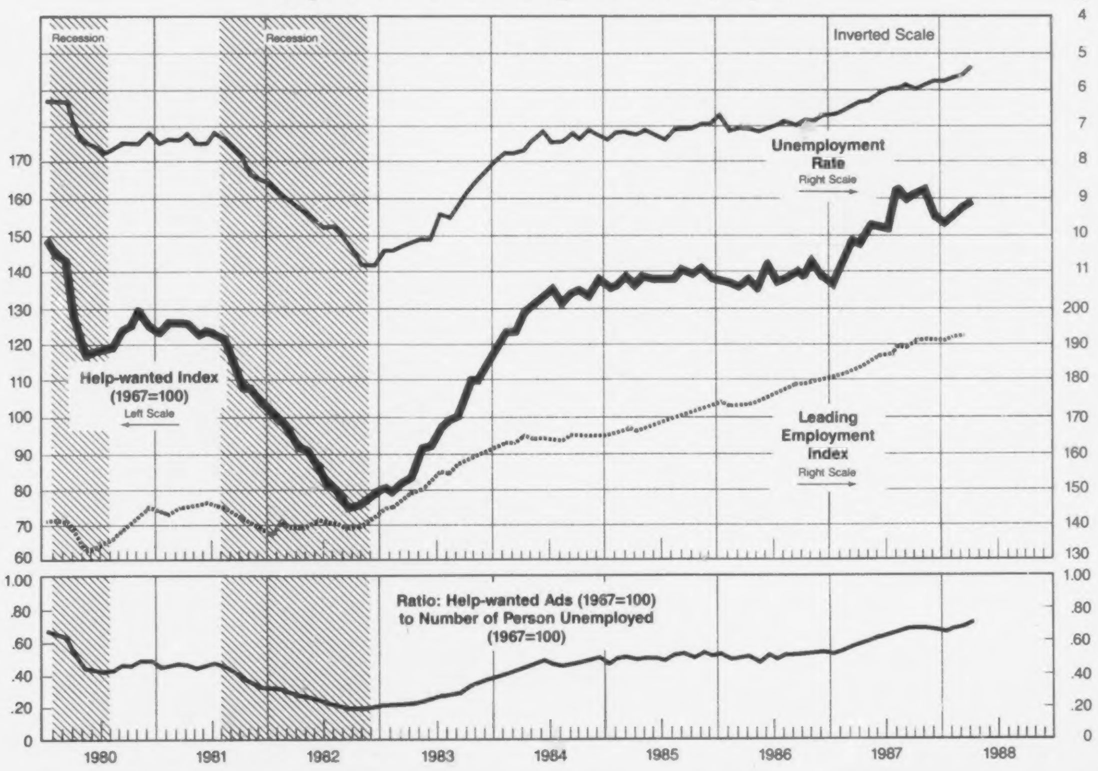
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988		1987	
	Mar.	Feb.	Jan.	Mar.
National Index	159	156	153	151r
New England	171	168	160	186
Boston	165	161	160	183
Hartford	191	181	164	206
Providence	174	179	158	176
Middle Atlantic	92	92	88	89
Albany	233	221	205	183
Allentown	420	383	307	345
New York	65	63	61	68
Philadelphia	82	95	92	84
Pittsburgh	92	95	96	91
Rochester	105	98	99	90
Syracuse	151	142	145	149
East North Central	106	105	107	102r
Chicago	116	116	116	117
Cincinnati	163	167	169	153
Cleveland	69	70	71	65
Columbus	169	171	179	172
Dayton	90	91	89	83
Detroit	55	54	59	57
Gary	184	178	174	151
Indianapolis	130	112	111	116
Milwaukee	99	96	106	76r
Toledo	134	141	129	130
West North Central	101	98	101	97
Kansas City	150	149	166	144
Minneapolis	90	85	79	90
Omaha	154	146	149	136
St. Louis	67	69	70	66
South Atlantic	213	211r	207	203r
Atlanta	277	261	280	264r
Baltimore	221	224	208	228
Charlotte	208	209	197	189
Jacksonville	227	230	227	229
Miami	171	171	163	101
Richmond	153	147	146	154
Washington, D.C.	201	201r	195r	207
East South Central	165	160	166	164r
Birmingham	179	178	166	173
Knoxville	307	277	267	269
Louisville	77	94	120	84
Memphis	149	140	139	143
Nashville	191	174	193	212r
West South Central	192	183	169	162
Dallas	160	168	153	144
Houston	301	261	226	235
New Orleans	124	126	130	106
Oklahoma City	113	119	121	106
San Antonio	139	147	154	145
Tulsa	139	140	145	119
Mountain	310	308	308	298r
Denver	199	205	217	182
Phoenix	419	398	394	422r
Salt Lake City	372	381	365	346
Pacific	256	248	241	236r
Los Angeles	173	172	170	162r
Sacramento	479	445	447	446
San Bernadino	N.A.	N.A.	297	280
San Diego	661	595	549	588
San Francisco	254	251	244	234
Seattle	230	229	233	217
Percentage of papers with rising volume	61	57	59	84r
Unemployment rate	5.6	5.7	5.8	6.6

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7r	115.7p								

Expectations Index

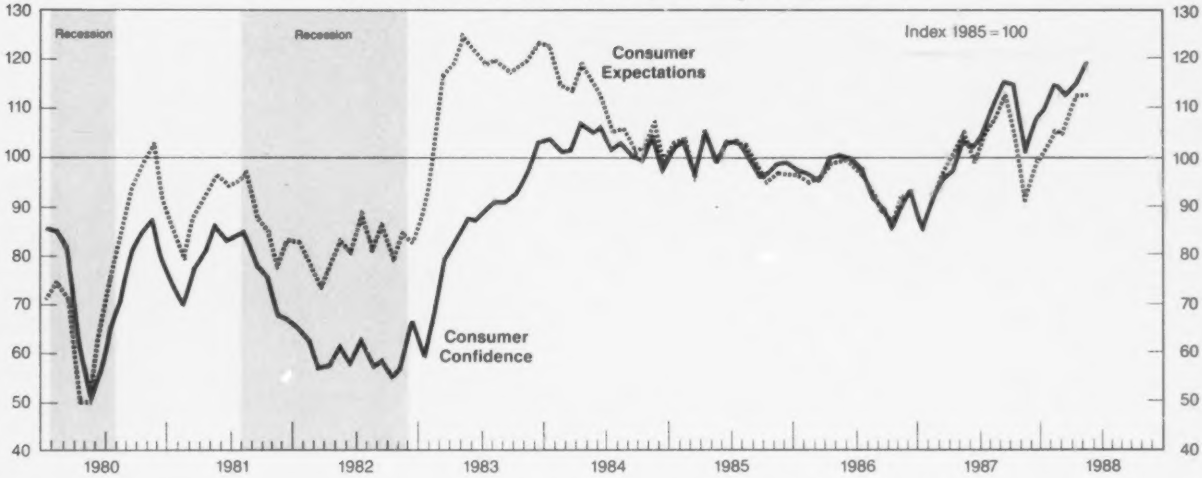
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9r	112.5p								

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



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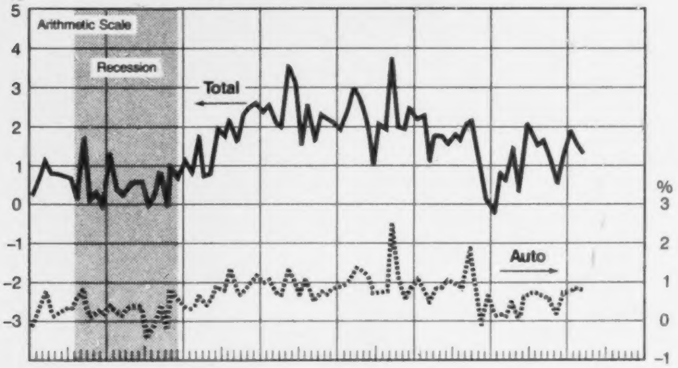
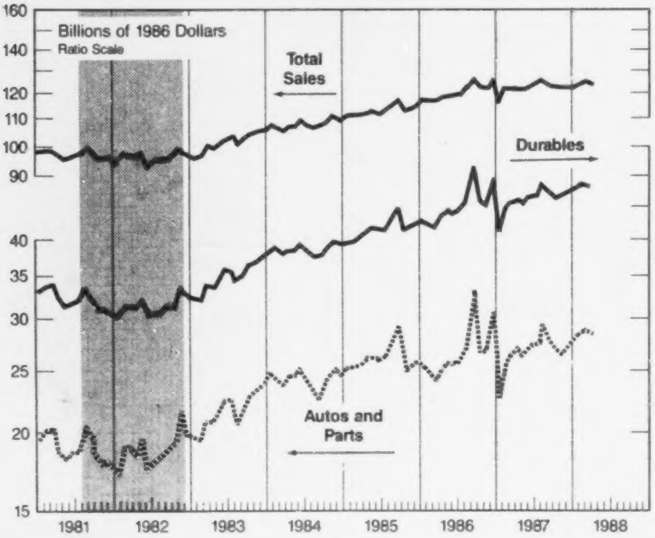
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



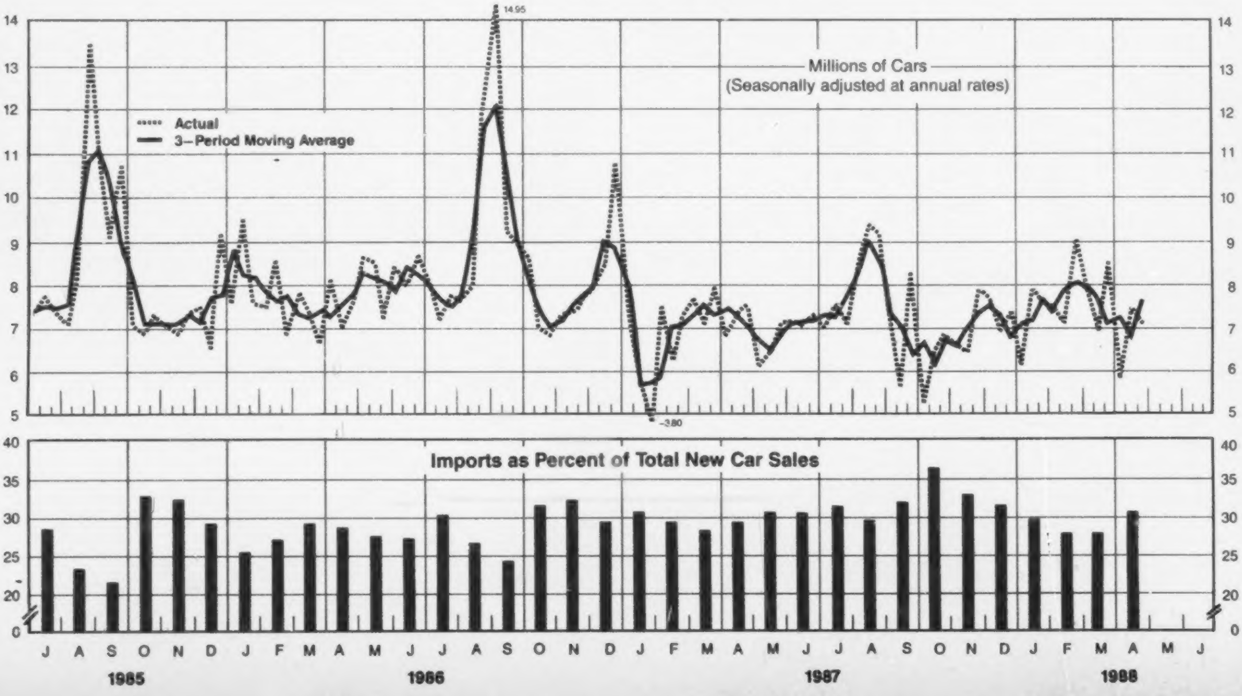
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	
	21-31	8.09	7.22	7.08	
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

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Highlights

- CONSUMER DEMAND GROWTH IS FALTERING
- AS GROWTH IN EMPLOYMENT, INCOME, AND CREDIT SLOW
- BUT CONSUMER OPTIMISM REMAINS BUOYANT
- AND HOME SALES SHOW SLIGHT RECOVERY
- INDUSTRIAL OUTPUT GROWTH MAY WANE DESPITE GROWTH IN EXPORTS AND BUSINESS INVESTMENT
- INVENTORY IS PILING UP AND NEW ORDERS REMAIN WEAK
- INFLATION INDICATORS APPEAR STEADY
- OUTLOOK • GNP GROWTH WILL SLOW IN SECOND HALF OF 1988; MAY TURN SLUGGISH IN 1989

Volume 21, No. 6, June, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: A rise in exports and in business investment, combined with a steady increase in consumer demand and no pickup in inflation, produced the brisk pace in U.S. economic activity in the first half of 1988. Real GNP rose at a seasonally adjusted 3.9% annual rate in the first quarter and the consensus of the **Economic Forecasts** is for a matching second-quarter performance. Robust growth helped to push the unemployment rate down to 5½ percent. Inflation ran at a little over 3% (annual rate). In short, conditions could hardly be better. Unfortunately, they are unlikely to last.

The outlook is mixed: Slower growth is in store but there should be less to worry about on the inflation and unemployment fronts. After a seemingly endless rise, consumer demand appears to be faltering, and neither business investment nor exports are likely to continue to pick up the slack. As a result, economic growth for the second half of the year is likely to slow to a still respectable 2½% to 3% rate, according to the **Economic Forecasts**. That much growth would keep the unemployment rate from rising much, if at all. It would also reduce the odds that the economy might overheat and send inflation on a fast upward track. Increased capital investment may also have a cooling effect, by reducing the current strain on productive capacity.

DOMESTIC MARKET MONITOR

Labor market activity has cooled. And the indicators of labor demand are not signalling any resumption of strong employment growth. The unemployment rate in May was the same as in March, while total employment fell. In other words, both hiring and labor force participation (the number of people working or looking for work) declined. The average hourly pay rate also fell, a further suggestion that the demand for labor has flattened.

The Conference Board's **Help-wanted Index**, a measure of labor demand, was clearly a leading indicator of the current slowdown. It reached a level of 162 (1967 = 100) last August and was holding steady at 163 in November. Thereafter, it began to slip and by April it had fallen to 158. Early returns to the May survey indicate that the index has still not returned to last November's level.

None of this suggests that the labor market is about to go into a tailspin, however. Although employment levels fell off somewhat over the last three months, total hours worked were 0.5% higher in May than in February. And the consensus of the **Economic Forecasts** is that the unemployment rate will probably not go much above 5.5% in the second half of the year.

INCOME: Some slow income growth may be in the offing. In April, wages in commodity-producing industry were 1.7% higher than three months earlier, the same rate of increase as in the "other" industry category. But the total number of hours worked in May fell and the overall average hourly pay rate in private industry fell to $8.95 in May, from $9.16 in April.The probable overall decline in wages in May would be good news on the inflation front, but could constrain consumers' ability to increase spending.

Nonwage income growth remains more dynamic than the rise in wages. Overall, nonwage income was 2.6% higher in April than three months earlier. Interest income was only 0.4% higher, but interest rates on savings have begun to move up. Rental income continues to decline.

Consumer willingness to borrow hasn't been vigorous and may soften. The ratio of **Consumer Installment Debt Expansion to Personal Income** dipped in April. Moreover, the rise in saving rates is likely to be followed by hikes in borrowing rates. If income growth does decline, there may be a temporary bulge in the borrowing numbers but that should not be taken as a sign of a recovery in consumer willingness to borrow.

Consumer attitudes seem even more upbeat now than before the stock market crash. The Conference Board's **Consumer Confidence Index** hit 119.2 (1985 = 100) in May, compared with 115.7 last September. However, the underlying data paint a more subdued picture. The **Expectations** component (appraisal of job and pay prospects six months hence) was at 112.8 in May, compared with 112.5 last September. Moreover, the recent rise in unemployment and the drop in hourly pay rates are likely to weaken attitudes.

SPENDING: Consumer buying to date has been quite strong, spurred by strong income gains and high confidence. Retail sales, except autos, were 2% higher in April than three months earlier. And sales of durable goods, except autos, were a full 3.9% higher. If job and income growth and consumer attitudes decline, however, consumer retail spending will rise more slowly. The retail sales data may become the new "hot" numbers for market watchers.

Consumer spending on cars has already cooled considerably. New domestic **Automobile Sales** were steady at a 7.8 to 7.9 million seasonally adjusted annual rate per 10-day period in February and March. That already sluggish pace dropped to 6.8 million in April and recovered to only 7.6 million in May, despite the reintroduction of some incentives. Nor have foreign models proved much more popular with consumers: Sales of foreign models were level in the first five months of this year. Car sales are unlikely to improve in the second half of the year. In addition to fac-

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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New York, N.Y. 10022

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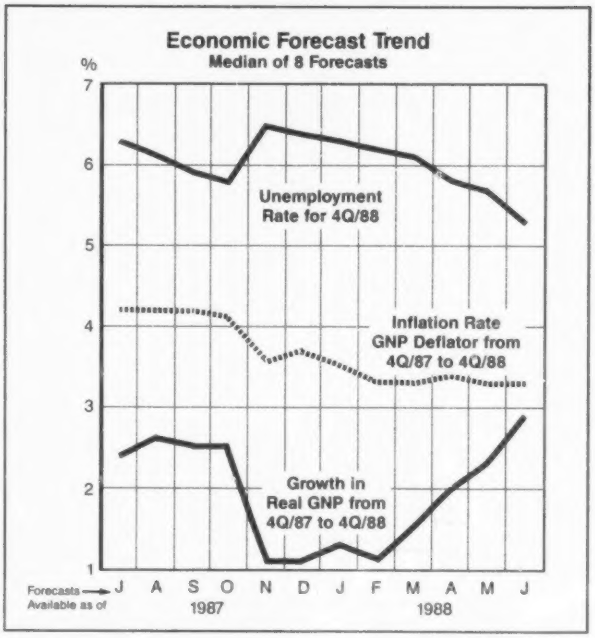


tors already mentioned, interest-sensitive car sales may be hurt if auto loan rates rise.

CONSTRUCTION: Home buying has been weaker than car buying and for a longer period. Unlike car buying, however, home buying has begun to recover. Indeed, after bottoming out in January, home sales have been increasing steadily and by April, were back to last summer's level. Even so, the median price of new homes continues to rise and now mortgage rates also are moving higher. Those factors, together with the expectation of softer consumer demand, may limit further recovery or, perhaps, kill it outright.

While the rise in consumer spending may be slowing, the data on nonresidential construction suggests that business investment is picking up. Industrial building was 19% higher in April than three months earlier. Commercial building rose more modestly and office building continued to fall. Public building and spending on roads and infrastructure are also beginning to rise.

PRODUCTION: Output growth has been strong enough to cause concern about the adequacy of productive capacity. Indeed capacity utilization rates are now in the 82% to 83% range. That's one reason why investment in new plant and equipment is booming right now. But given the meager rise in new orders, signs of a developing weakness in consumer demand, and a rise in inventory, industrial output could slow.

Given the drop in hours worked in May, industrial production probably fell that month. And, producers have already been filling old orders faster than new orders are coming in. New orders for durable goods, except defense-related, were no higher in April than last December. But shipments of filled orders rose 0.9% over the same period.

INVENTORY: Stocks on hand are rising at a time when sales may be heading for slower growth. Total inventory, except cars at the retail level, was 2.4% higher in April than three months earlier. Durable inventory, except cars, was 2.8% higher. If sales growth does slow, production schedules may have to be cut back to limit inventory pile-up.

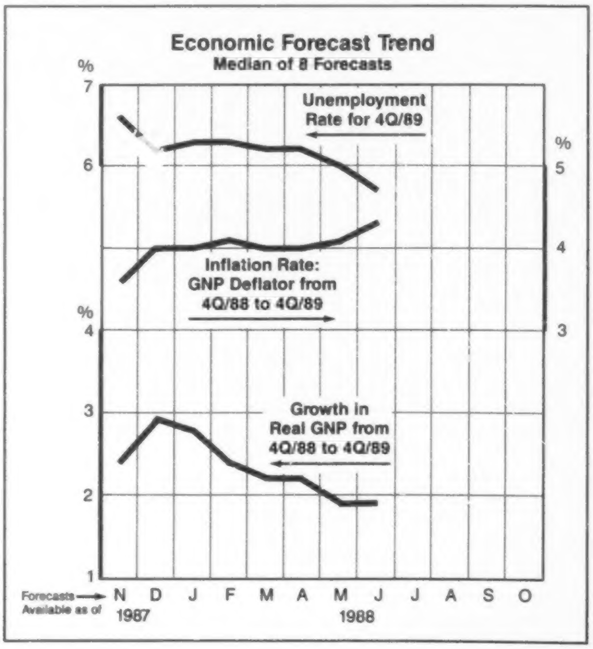
INFLATION: The consensus of the **Economic Forecasts** is that the CPI will rise by about a 4.8% annual rate by the fourth quarter of 1988. The danger of an overheating economy leading to higher inflation, never all that great, appears to have subsided somewhat. Increases in labor costs do not appear to be developing, nor are nonlabor costs picking up quickly. Raw industrial metal prices rose 1.4% in May, following a 0.9% rise in April. However, those increases were preceded by three months of falling prices and are not as high as gains in the months prior to those declines.

One area where upward price pressure may be developing is down on the farm. After a long period of little change, farm costs have edged higher and so have raw food prices. Late spring draught will not help here.

INTERNATIONAL MONITOR

Exports were 10.6% higher in March than three months earlier. And shipments of raw or semi-finished industrial output, as well as of cars and other consumer goods, rose even faster. Strong export growth is a positive factor for the trade deficit and the dollar. But any weakening of that growth would contribute to the odds in favor of a decline in domestic output growth.

Ken Goldstein
June 10, 1988

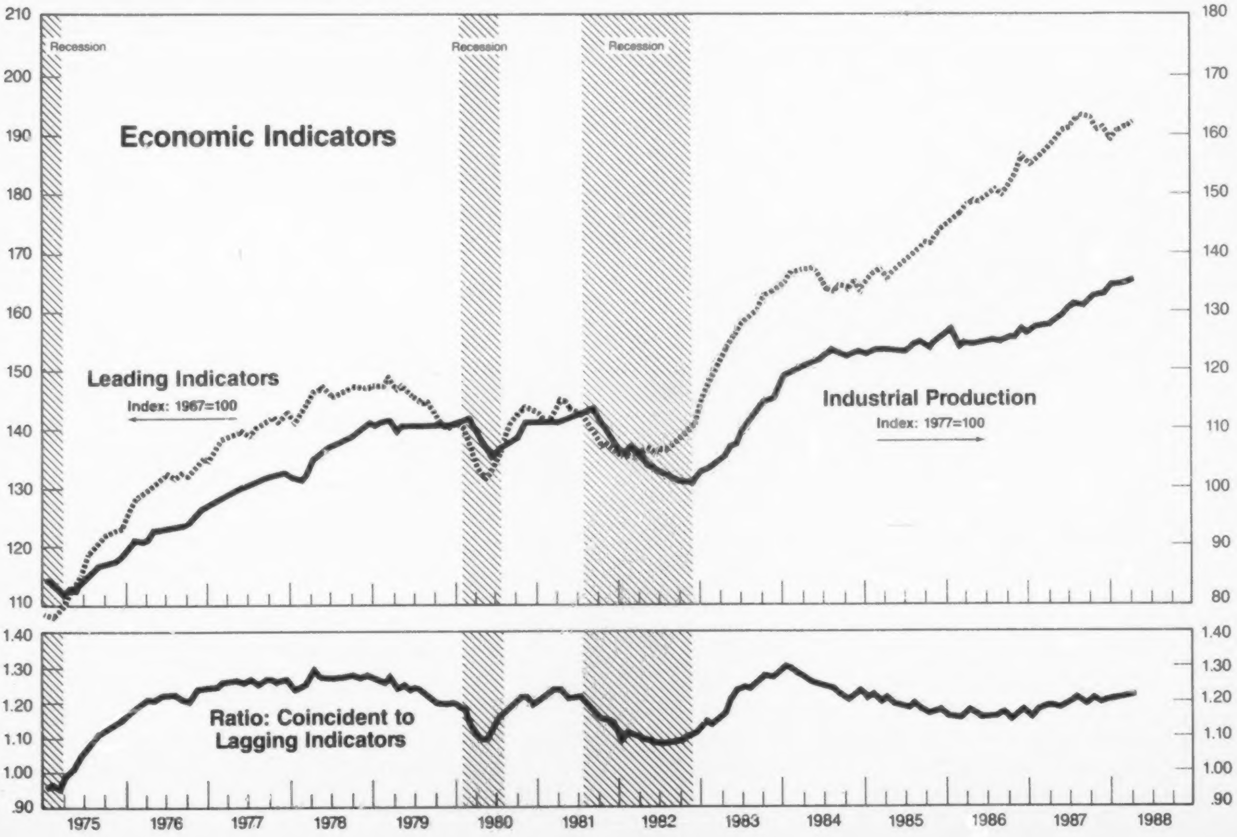


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	Apr.	X			1.9%	2.5%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	Apr.			X	– 5.8%	11.3%
New orders, nondefense capital goods (deflated)	Apr.			X	– 6.6%	15.0%
*New business formation	Apr.			X	– 1.1%	1.0%
*Housing permits	Apr.		X		16.2%	– 9.2%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	Apr.		X		1.8%	2.8%
*Change in inventory, on hand & order (deflated)	Mar.			X	– 8.2%	5.1%
Purchasing agents' buying policy	Apr.			X	– 2.0%	– 3.0%
*Vendor performance, reported slower deliveries	Apr.			X	– 6.0%	5.0%
Industrial raw materials prices	May	X			4.3%	10.6%
*Change in sensitive material prices	Apr.		X		– 0.1%	0.1%
Sensitive Financial Flows						
*Money balance (M2 deflated)	Apr.	X			1.1%	1.1%
Change in business loans	Apr.	X			189.7%	66.0%
*Change in credit outstanding	Mar.			X	– 7.9%	1.5%
Change in consumer installment debt	Mar.			X	2.0%	31.5%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q	X			0.4%	12.0%
*Common stock prices	May			X	– 1.3%	–11.9%
Marginal Employment Adjustments						
*Average workweek, mfg.	Apr.		X		0hr	0.6hr
*Initial unemployment claims (inverted)	Apr.	X			15.7%	8.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.

*These twelve series make up the Composite Leading Index charted below.



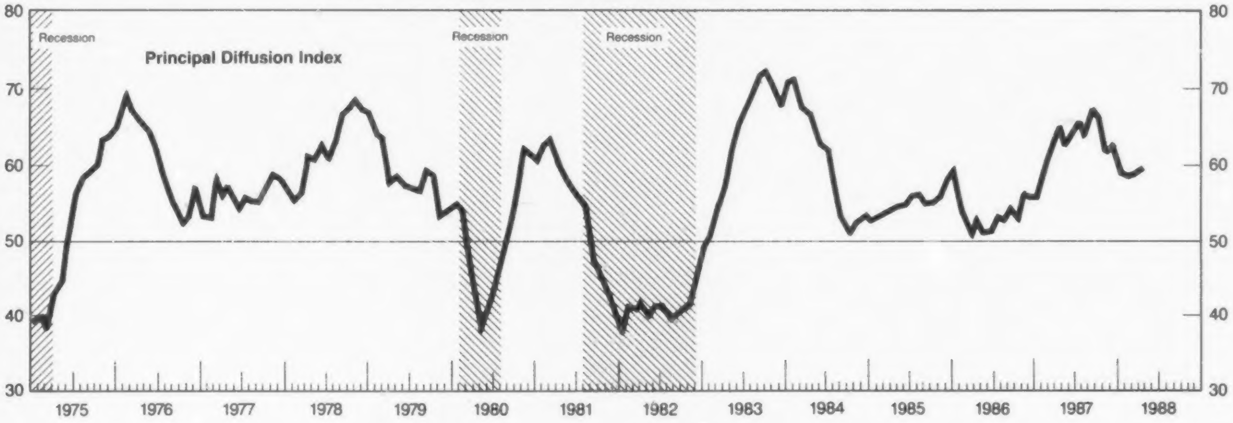
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Apr.	1988 Jan.	Feb.	Mar.	Apr.(e)
Principal Diffusion Index	62.7	58.5r	58.2r	58.4r	59.6
Auxillary Diffusion Index	55.4	43.0r	49.1r	50.7r	53.8
Industrial Group	59.0	58.5r	58.1r	58.7r	61.0
Nonindustrial Group	66.4	58.5	58.3	58.2	58.2
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	62.8	68.8	62.8	57.3r	52.6
Labor	58.6	51.4r	55.1r	57.3r	62.4
Miscellaneous	54.2	60.9	58.3	64.1	69.9
Nonindustrial Subgroups					
Prices	82.1	64.1	60.9	57.7	55.1
Consumer	71.8	70.5	69.7	74.4r	68.4
Building	46.8	38.5	47.4	48.1	48.7
Miscellaneous	63.7	56.0	52.6	49.1r	56.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985				*1986*				*1987*			
	May	***Aug.***	***Nov.***	***Feb.***	***May***	***Aug.***	***Nov.***	***Feb.***	***May***	***Aug.***	***Nov.***	***Feb.***
	Score (scale 0-100)											
Measure of Business Confidence	52	51	55	61	61	50	51	55	55	59	47	51
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	48	45	53	63	61	44	50	56	55	62	50	49
2. Expectations for Economy, Six Months Ahead	53	53	56	62	62	52	51	54	53	56	43	50
3. Expectations for Own Industry, Six Months Ahead	55	54	56	59	60	54	53	56	56	58	48	54

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

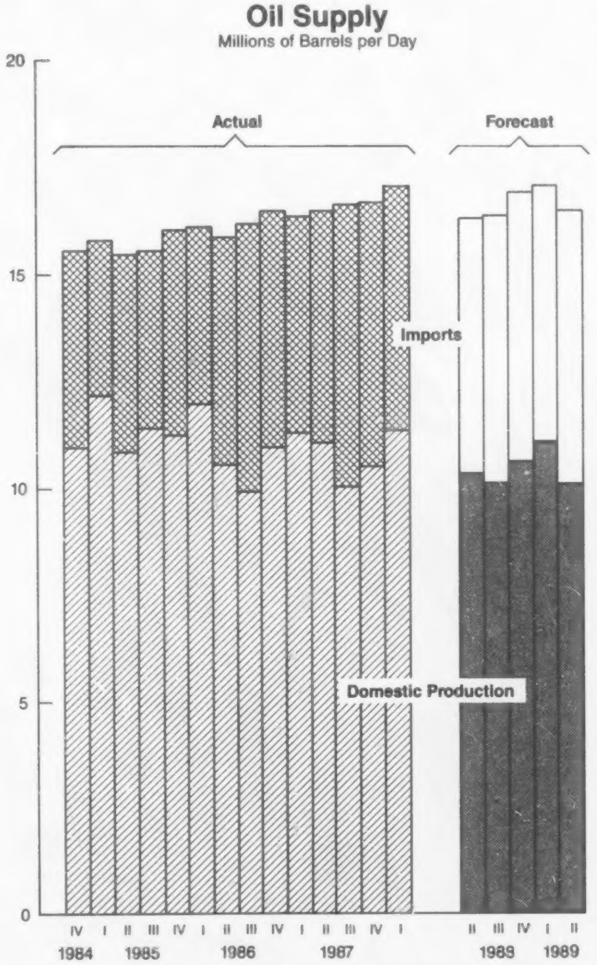
Billions of Dollars, Seasonally Adjusted

	1986			1987				Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	II	III	IV	I	IIr	IIIp	IVp	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	19.991	20.203	22.097	21.441	32.257	29.810	33.985	31%	12%
Capital expenditures	24.309	22.452	23.299	20.801	25.933	27.491	29.328	11	18
Change in appropriations backlog*	−6.447	−5.060	−10.990	−0.550	+5.460	+0.070	+2.110		
Durable Goods									
New appropriations	9.578	10.807	10.807	9.746	16.515	18.095	19.018	55	8
Capital expenditures	11.880	12.186	12.915	11.124	14.006	14.847	15.665	17	23
Change in appropriations backlog*	−3.824	−3.986	−4.140	−2.070	+2.310	+2.930	+3.130		
Nondurable Goods									
New appropriations	10.413	10.152	11.290	11.695	15.742	11.715	14.970	24	17
Capital expenditures	12.429	10.266	10.384	9.677	11.927	12.644	13.663	6	14
Change in appropriations backlog*	−2.623	−1.074	−6.853	+1.520	+3.160	−2.890	−1.020		
ELECTRIC & GAS UTILITIES									
New appropriations	5.544	5.530	5.491	6.482r	5.569r	5.138p			
Capital expenditures	7.702	7.535	6.080	7.649r	7.032r	7.746p			
Change in appropriations backlog*	−3.840	−2.110	−1.005	−0.840r	−1.590r	−2.670p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

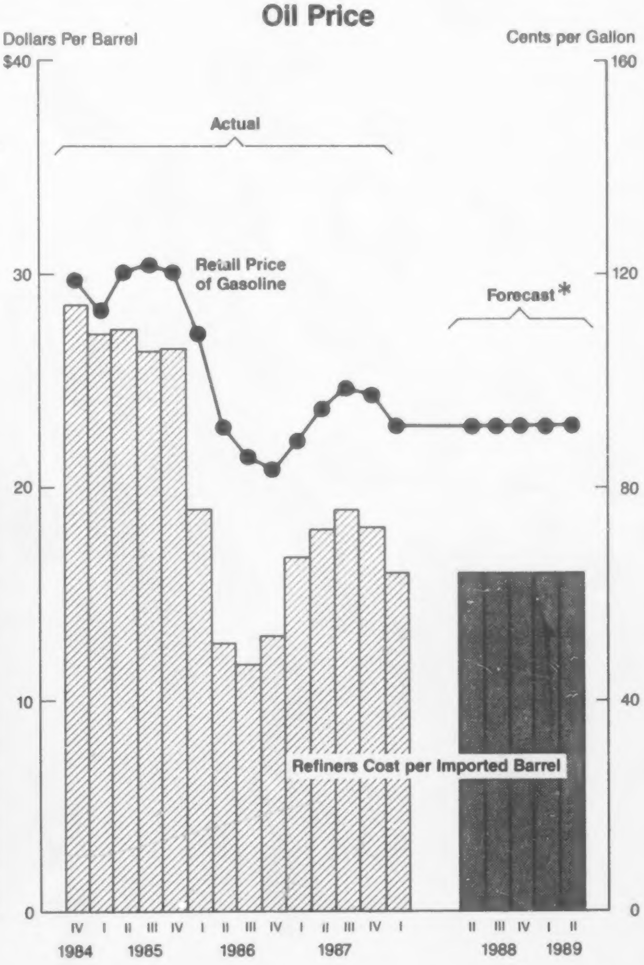
r—revised p—preliminary

* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).



Oil Supply

Millions of Barrels per Day

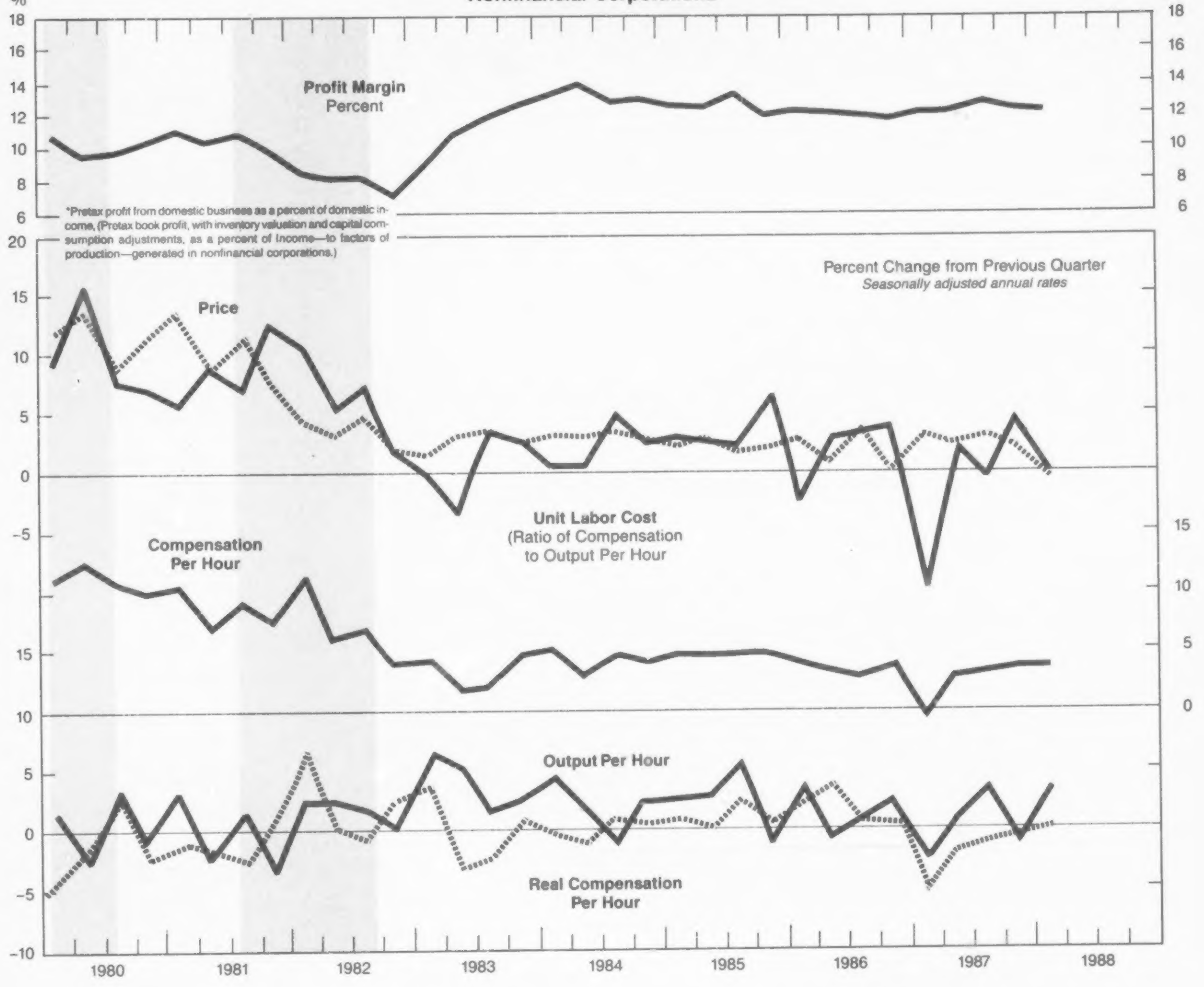


Oil Price

* Source of Forecast is The Energy Information Administration; Department of Energy.

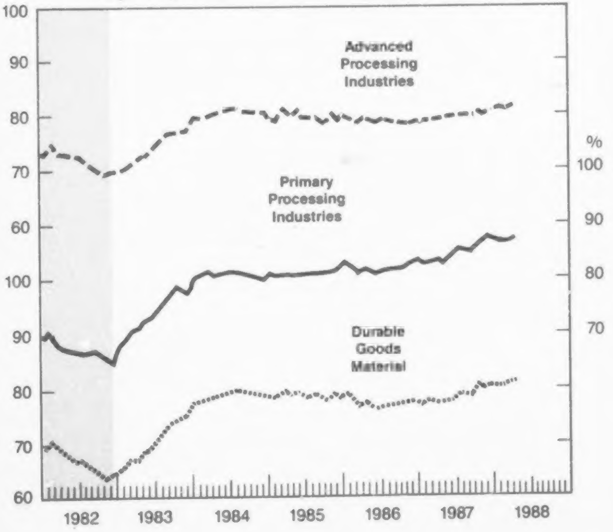
Key Determinants of Profit Margin

Nonfinancial Corporations

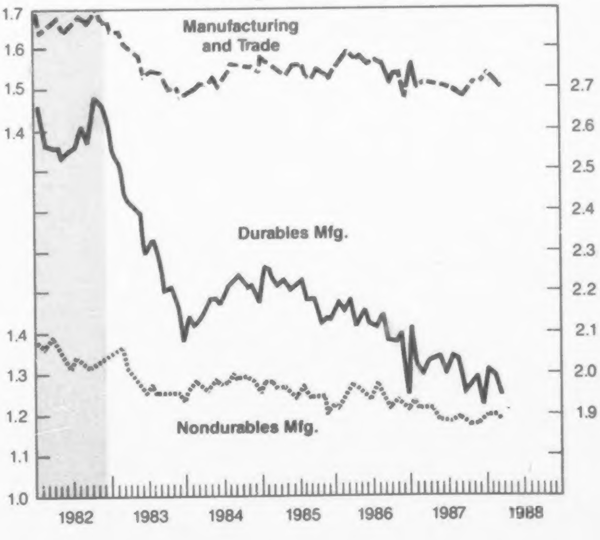


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory—Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		**Merrill Lynch[1] Economics Inc.**		**E.I. duPont[1] de Nemours & Co.**		**Georgia State University[1]**	
Date of Forecast			*May, 1988*		*May, 1988*		*May, 1988*		*May, 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**I**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**
Forecast	1988	II	4739.0	6.2	4757.2	7.8	4751.7	7.3	4759.6	8.0
		III	4790.6	4.4	4841.7	7.3	4798.3	4.0	4842.7	7.2
		IV	4849.1	5.0	4928.5	7.4	4868.1	5.9	4915.6	6.2
	1989	I	4937.9	7.5	5014.0	7.1	4932.7	5.4	4982.5	5.6
		II	5016.3	6.5	5068.1	4.4	5025.5	7.7	5045.0	5.1
		III	5090.0	6.0	5127.7	4.8	5112.6	7.1	5102.3	4.6
		IV	5181.8	7.4	5226.7	7.9	5196.8	6.8	5170.3	5.4
	1990	I	5260.9	6.2			5283.6	6.9		
		II	5331.0	5.4			5392.1	8.5		
	1988	Annual	4761.9	6.1	4799.0	6.9	4771.7	6.3	4796.7	6.9
	1989	Annual	5056.5	6.2	5109.1	6.5	5066.9	6.2	5075.0	5.8
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**I**	**$3918.0**	**3.9%**	**$3918.0**	**3.9**	**$3918.0**	**3.9%**	**$3918.0**	**3.9%**
Forecast	1988	II	3930.1	1.2	3947.4	3.0	3927.0	0.9	3949.9	3.3
		III	3940.8	1.1	3974.5	2.8	3933.0	0.6	3979.2	3.0
		IV	3953.0	1.2	3999.7	2.6	3945.0	1.2	4002.9	2.4
	1989	I	3983.5	3.1	4020.2	2.1	3962.0	1.7	4014.9	1.2
		II	4005.7	2.2	4014.8	–0.5	3998.0	3.7	4019.9	0.5
		III	4023.4	1.8	4013.1	–0.2	4032.0	3.4	4023.9	0.4
		IV	4054.1	3.1	4045.9	3.3	4060.0	2.8	4032.9	0.9
	1990	I	4065.0	1.1			4080.0	2.0		
		II	4073.7	0.9			4113.0	3.3		
	1988	Annual	3935.5	3.0	3959.9	3.6	3930.8	2.9	3962.5	3.7
	1989	Annual	4016.7	2.1	4023.5	1.6	4013.0	2.1	4022.9	1.5
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**I**	**119.2**	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**
Forecast	1988	II	120.6	4.9	120.5	4.6	121.0	6.3	120.5	4.6
		III	121.6	3.3	121.8	4.4	122.0	3.3	121.7	4.0
		IV	122.7	3.7	123.2	4.7	123.4	4.7	122.8	3.7
	1990	I	124.0	4.3	124.7	5.0	124.5	3.6	124.1	4.3
		II	125.2	4.2	126.2	4.9	125.7	3.9	125.5	4.6
		III	126.5	4.2	127.8	5.0	126.8	3.5	126.8	4.2
		IV	127.8	4.2	129.2	4.5	128.0	3.8	128.2	4.5
	1990	I	129.4	5.1			129.5	4.8		
		II	130.9	4.5			131.1	5.0		
	1988	Annual	121.0	3.0	121.2	3.2	121.4	3.3	121.0	3.0
	1989	Annual	125.9	4.0	127.0	4.8	126.3	4.0	126.2	4.2
Unemployment Rate										
Actual	**1988**	**I**		**5.7%**		**5.7%**		**5.7%**		**5.7%**
Forecast	1988	II		5.5		5.5		5.7		5.4
		III		5.6		5.4		5.8		5.3
		IV		5.7		5.3		5.9		5.2
	1989	I		5.7		5.3		6.0		5.1
		II		5.7		5.7		6.0		5.3
		III		5.7		6.2		5.9		5.4
		IV		5.6		6.0		5.8		5.5
	1990	I		5.6				5.8		
		II		5.7				5.7		
	1988	Annual		5.6		5.5		5.8		5.4
	1989	Annual		5.6		5.8		5.9		5.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised first quarter data.

ECONOMIC FORECASTS (continued)

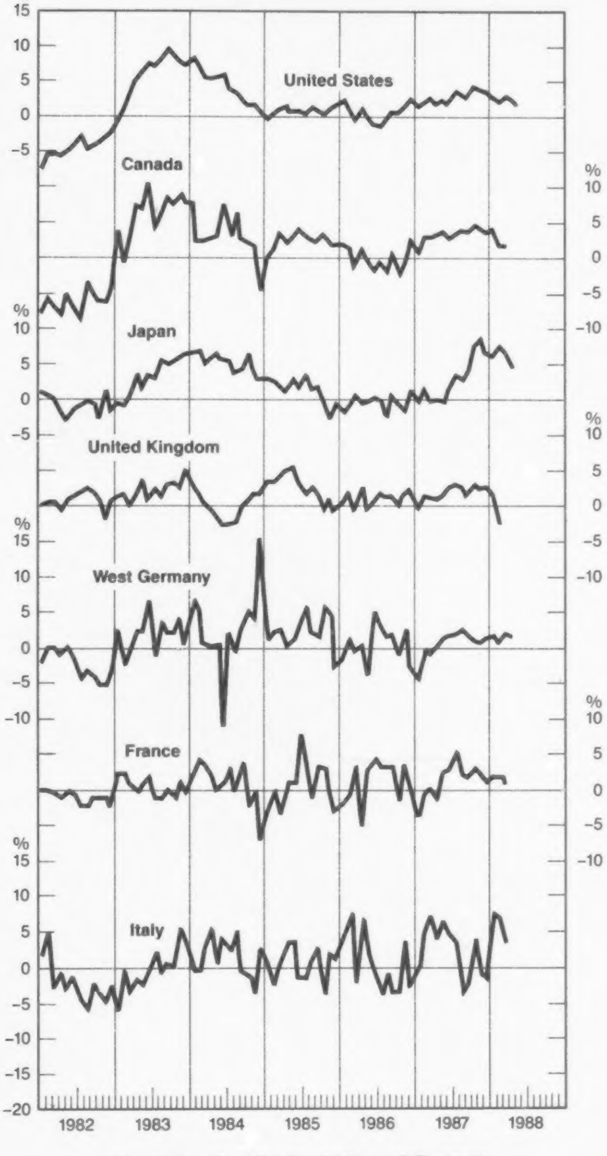
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
May, 1988		*May, 1988*		*May, 1988*		*May, 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4668.7	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**$4668.7**	**5.4%**	**I**	**1988**	**Actual**
4737.0	6.0	4741.3	6.4	4746.0	6.8	4761.2	8.2	II	1988	Forecast
4806.0	6.0	4812.5	6.1	4801.2	4.7	4837.3	6.5	III		
4894.0	7.5	4879.4	5.7	4866.2	5.5	4913.7	6.5	IV		
4962.0	5.7	4952.8	6.2	4954.0	7.4	4996.4	6.9	I	1989	
4989.0	2.2	5032.7	6.6	5026.4	6.0	5072.5	6.2	II		
5024.0	2.8	5103.8	5.8	5109.2	6.8	5143.2	5.7	III		
5078.0	4.4	5179.4	6.1	5210.3	8.2	5220.6	6.2	IV		
		5270.2	7.2	5308.6	7.8	5310.7	7.1	I	1990	
		5354.9	6.6	5402.7	7.3	5413.7	8.0	II		
4776.4	6.4	4775.5	6.4	4770.5	6.3	4795.2	6.8	Annual	1988	
5013.3	5.0	5067.2	6.1	5075.0	6.4	5108.2	6.5	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3918.0	**3.9%**	**$3918.0**	**3.9%**	**$3918.0**	**3.9%**	**$3918.0**	**3.9%**	**I**	**1988**	**Actual**
3943.2	2.6	3944.1	2.7	3936.5	1.9	3949.9	3.3	II	1988	Forecast
3965.7	2.3	3971.9	2.8	3945.7	0.9	3978.6	2.9	III		
3995.1	3.0	3995.8	2.4	3971.7	2.7	4006.8	2.9	IV		
4005.1	1.0	4017.0	2.1	4001.4	3.0	4027.2	2.1	I	1989	
3984.9	−2.0	4043.8	2.7	4020.4	1.9	4041.2	1.4	II		
3974.9	−1.0	4062.6	1.9	4047.8	2.8	4050.5	0.9	III		
3979.9	0.5	4086.7	2.4	4085.7	3.8	4061.6	1.1	IV		
		4109.5	2.3	4111.4	2.5	4075.6	1.4	I	1990	
		4132.1	2.2	4137.0	2.5	4108.7	3.3	II		
3955.5	3.5	3957.5	3.6	3943.0	3.2	3963.3	3.7	Annual	1988	
3986.2	0.8	4052.5	2.4	4038.8	2.4	4045.1	2.1	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
119.2	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**	**119.2**	**1.5%**	**I**	**1988**	**Actual**
120.1	3.3	120.2	3.6	120.6	4.8	120.5	4.7	II	1988	Forecast
121.2	3.6	121.2	3.2	121.7	3.8	121.6	3.5	III		
122.5	4.4	122.1	3.2	122.5	2.8	122.6	3.5	IV		
123.9	4.6	123.3	3.9	123.8	4.3	124.1	4.8	I	1989	
125.2	4.3	124.5	3.8	125.0	4.0	125.5	4.8	II		
126.4	3.9	125.6	3.8	126.2	3.9	127.0	4.7	III		
127.6	3.8	126.7	3.6	127.5	4.2	128.5	5.0	IV		
		128.2	4.8	129.1	5.1	130.3	5.6	I	1990	
		129.6	4.3	130.6	4.7	131.8	4.5	II		
120.7	2.8	120.7	2.7	121.0	3.0	121.0	3.0	Annual	1988	
125.8	4.2	125.0	3.6	125.6	3.9	126.3	4.4	Annual	1989	
								Unemployment Rate		
	5.7%		**5.7%**		**5.7%**		**5.7%**	**I**	**1988**	**Actual**
	5.4		5.4		5.5		5.4	II	1988	Forecast
	5.3		5.3		5.5		5.2	III		
	5.2		5.3		5.6		5.3	IV		
	5.4		5.3		5.5		5.5	I	1989	
	5.8		5.3		5.5		5.7	II		
	6.1		5.3		5.5		5.9	III		
	6.1		5.4		5.4		6.1	IV		
			5.4		5.3		6.3	I	1990	
			5.4		5.3		6.5	II		
	5.4		5.4		5.6		5.4	Annual	1988	
	5.9		5.3		5.5		5.8	Annual	1989	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

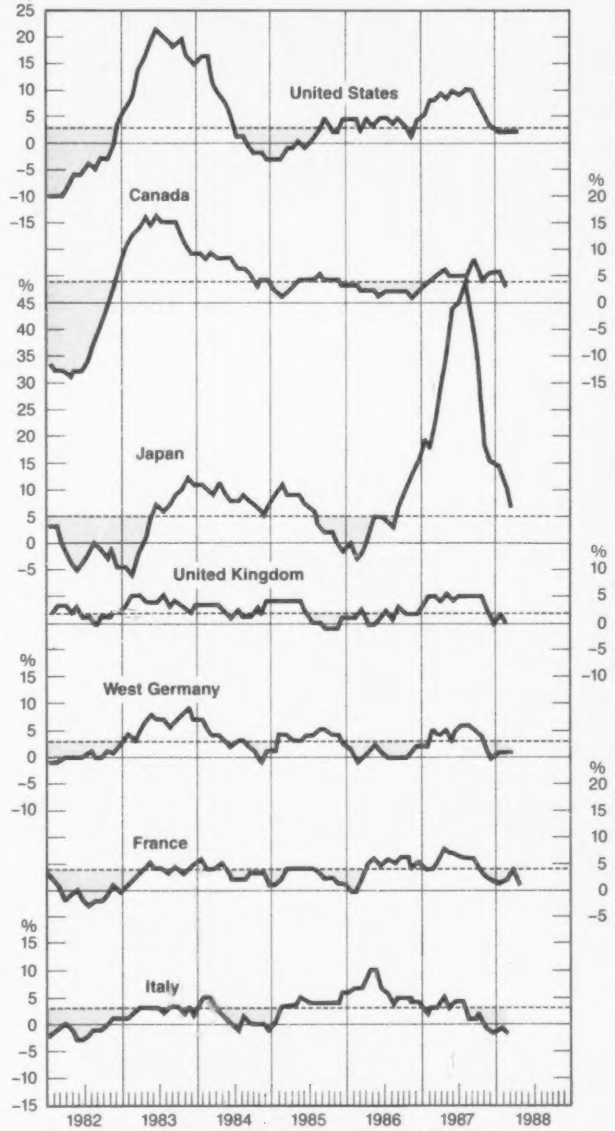
Industrial Production Indexes

Change Over Six Month Span



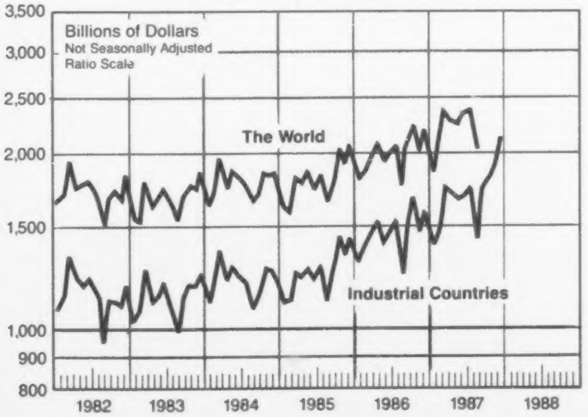
Leading Business Cycle Indexes

Change From Preceding Year

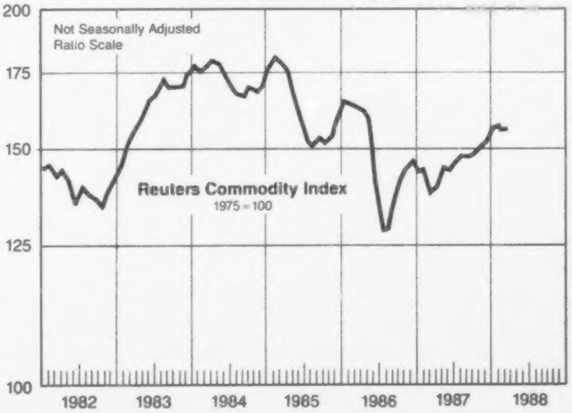


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

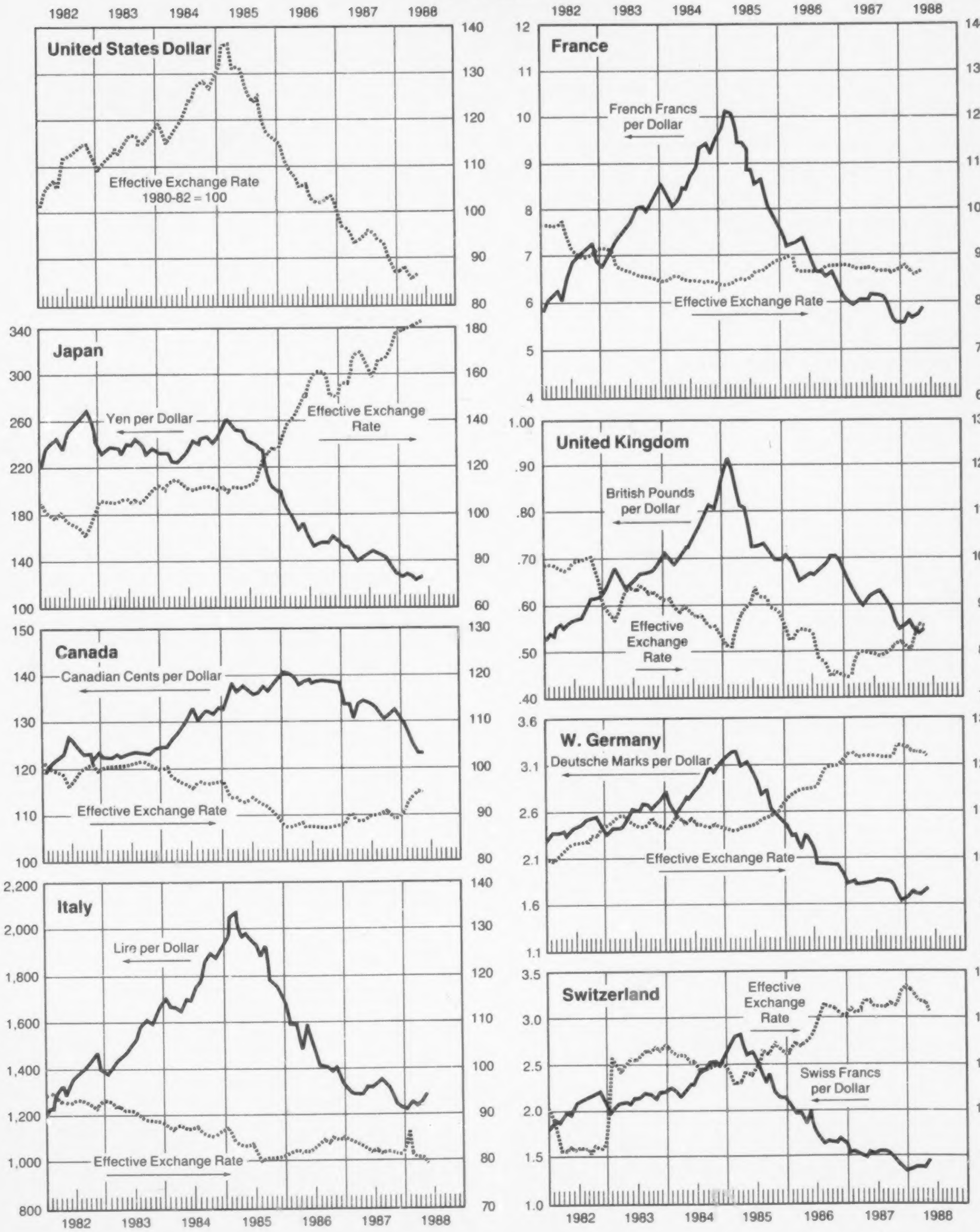


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

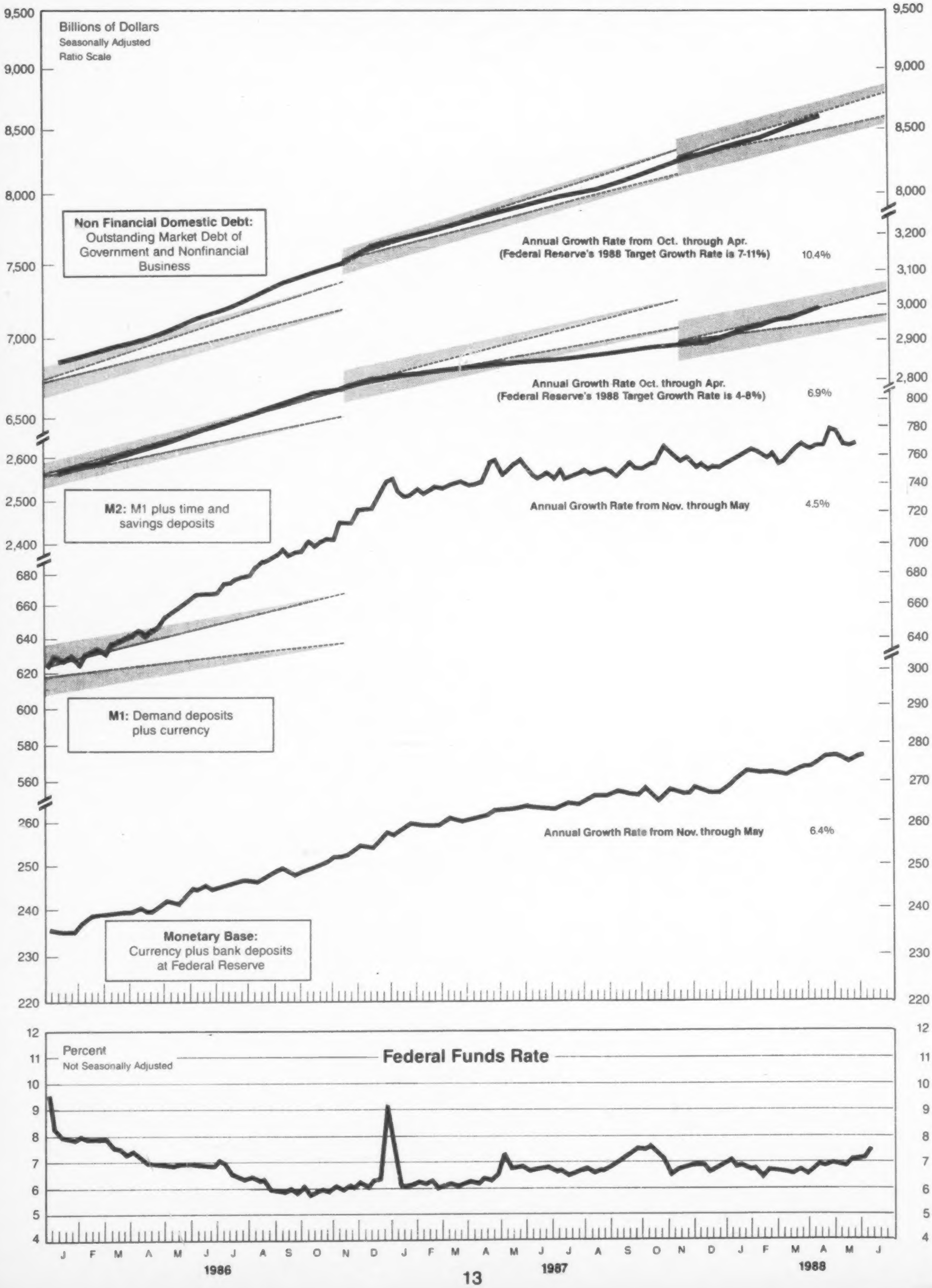
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Outlays	**1,004.6**	**1,055.9**	**1,094.6**	**1,094.5**	**1,099.7**
Deficit	**– 150.4**	**– 146.7**	**– 129.4**	**– 129.8**	**– 135.3**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Individual income	392.6	393.4	412.4	412.4	412.3
Social security	303.3	331.5	354.6	117.7	354.6
Corporate income	83.9	105.6	117.7	354.6	117.5
Other receipts	74.4	78.7	80.5	80.0	80.0
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,094.6**	**$1,094.5**	**$1,099.7**
Social security	282.5	298.6	319.1	317.8	320.4
National defense	282.0	285.4	294.5	294.0	294.0
Income security	123.2	129.6	137.5	135.6	138.1
Health	40.0	44.5	48.4	47.8	48.9
Education & manpower	29.7	33.7	34.5	37.4	35.4
Veterans benefits	26.8	27.7	28.0	29.6	28.4
Transportation	26.2	27.2	27.1	27.3	27.9
Agriculture	27.4	22.4	21.0	21.7	21.6
Natural resources	13.4	15.1	16.2	16.0	16.3
International affairs	11.6	9.9	16.2	13.3	16.2
General science	9.2	10.9	13.0	13.1	12.6
Justice	7.5	9.0	9.8	9.9	8.7
General government	7.6	8.8	9.7	9.5	9.4
Commerce, housing credit	6.2	12.4	7.2	7.9	9.3
Community development	5.1	6.3	6.0	5.9	6.6
Energy	4.1	2.7	3.4	3.1	4.4
Revenue sharing					
Interest	138.6	147.9	152.0	151.8	152.0
Allowances					
Offsetting receipts	– 36.5	– 36.2	– 49.2	– 47.2	– 50.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

	Fiscal 1987 Actual	Fiscal 1988 Administration Estimate	Fiscal 1988 Congress's Estimate*	Fiscal 1989 Administration Estimate	Fiscal 1989 Congress's Estimate*
GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	5.9%	6.5%	5.8%	7.0%	6.8%
Constant (1982) dollar	2.9%	2.9%	2.3%	3.1%	2.6%
Implicit price deflator	3.3%	3.9%	3.4%	3.7%	4.1%
Consumer price index	4.6%	4.3%	4.5%	3.9%	4.9%
91-Day T bill rate	5.8%	5.3%	6.2%	5.2%	6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets



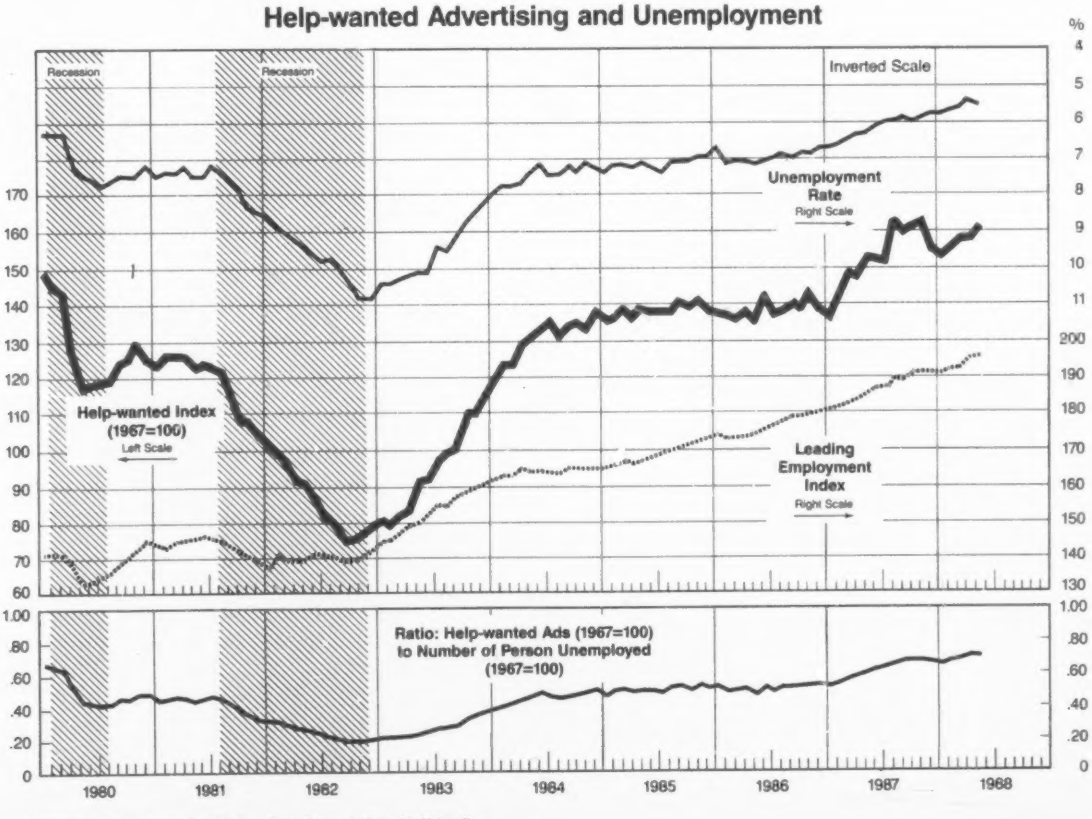
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

	1988			1987
Locality	**Apr.**	**Mar.**	**Feb.**	**Apr.**
National Index	158	158r	156	149r
New England	161	171	168	186
Boston	151	165	161	183
Hartford	175	191	181	195
Providence	183	174	179	190
Middle Atlantic	87	92	92	84
Albany	223	233	221	202
Allentown	360	420	383	291
New York	60	65	63	65
Philadelphia	76	82	95	75
Pittsburgh	98	92	95	87
Rochester	104	105	98	88
Syracuse	159	151	142	145
East North Central	107	106	105	103r
Chicago	112	116	116	121r
Cincinnati	173	163	187	152
Cleveland	72	69	70	62
Columbus	174	169	171	176r
Dayton	95	90	91	81
Detroit	55	55	54	53
Gary	190	184	178	151
Indianapolis	131	130	112	113
Milwaukee	106	99	96	85r
Toledo	138	134	141	124
West North Central	102	101	98	93
Kansas City	152	150	149	142
Minneapolis	88	90	85	82
Omaha	162	154	146	136
St. Louis	71	67	69	64
South Atlantic	217	211	211	202
Atlanta	287	265	261	262
Baltimore	241	221	224	240
Charlotte	207	208	209	186
Jacksonville	240	227	230	237
Miami	N.A.	171	171	101
Richmond	123	153	147	150
Washington, D.C.	197	201	201	195
East South Central	179	169r	160	162
Birmingham	173	179	178	157
Knoxville	312	307	277	247
Louisville	110	96r	97r	90
Memphis	156	149	140	148
Nashville	215	191	174	221
West South Central	188	192	183	157
Dallas	161	160	168	150
Houston	287	301	261	213
New Orleans	128	124	126	111
Oklahoma City	118	113	119	102
San Antonio	137	139	147	139
Tulsa	137	139	140	122
Mountain	310	310	308	298
Denver	199	199	205	180
Phoenix	430	419	398	436
Salt Lake City	357	372	381	334
Pacific	253	252r	248	238r
Los Angeles	171	173	172	164
Sacramento	470	479	445	457
San Bernadino	N.A.	N.A.	N.A.	276
San Diego	614	601r	595	563r
San Francisco	256	254	251	243
Seattle	24	230	229	225
Percentage of papers with rising volume	59	61	57	41r
Unemployment rate	5.4	5.6	5.7	6.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7r	119.2p							

Expectations Index

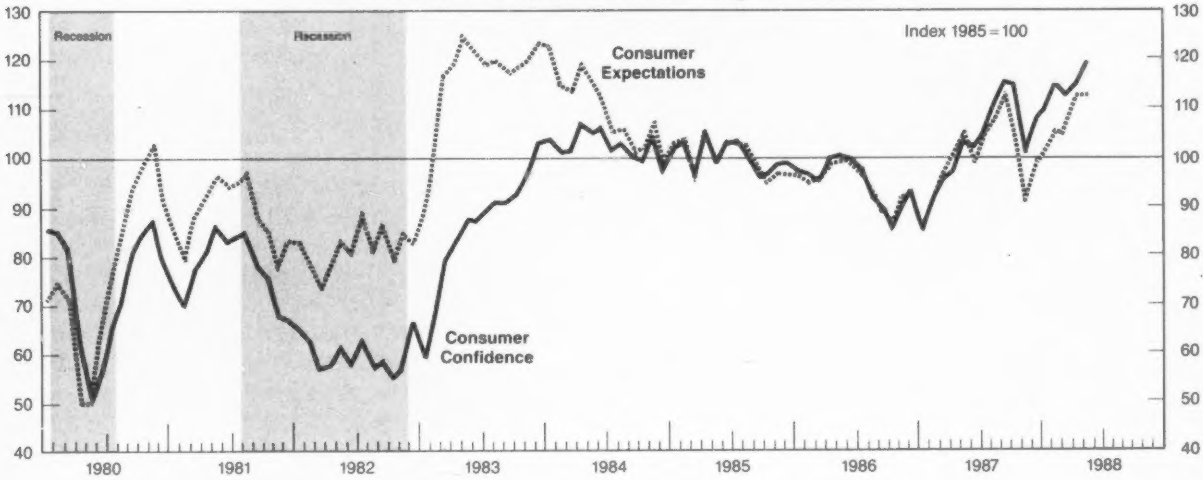
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8r	112.8p							

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

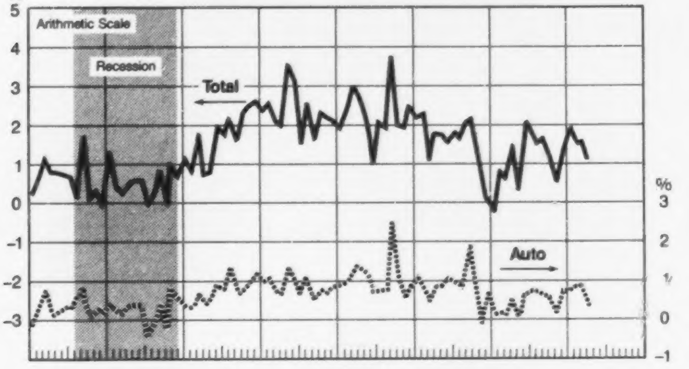
Consumer Confidence and Expectations



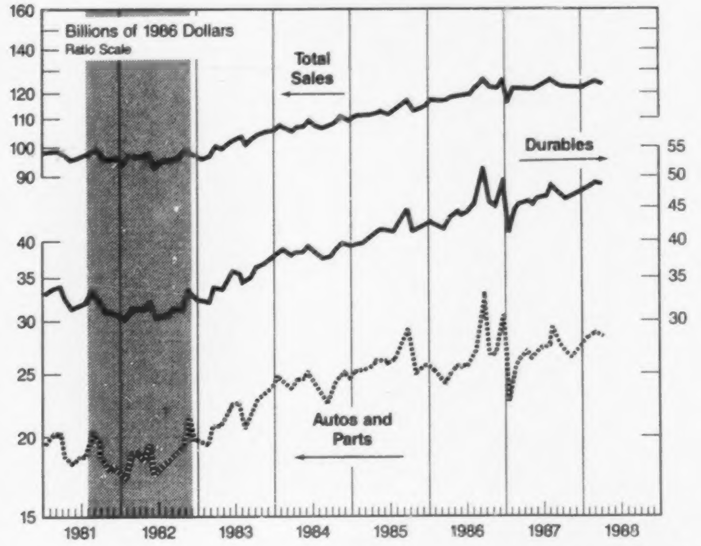
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes, in LOTUS and other formats. Contact Linette Waters: 800-US-BOARD; in NYC, (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



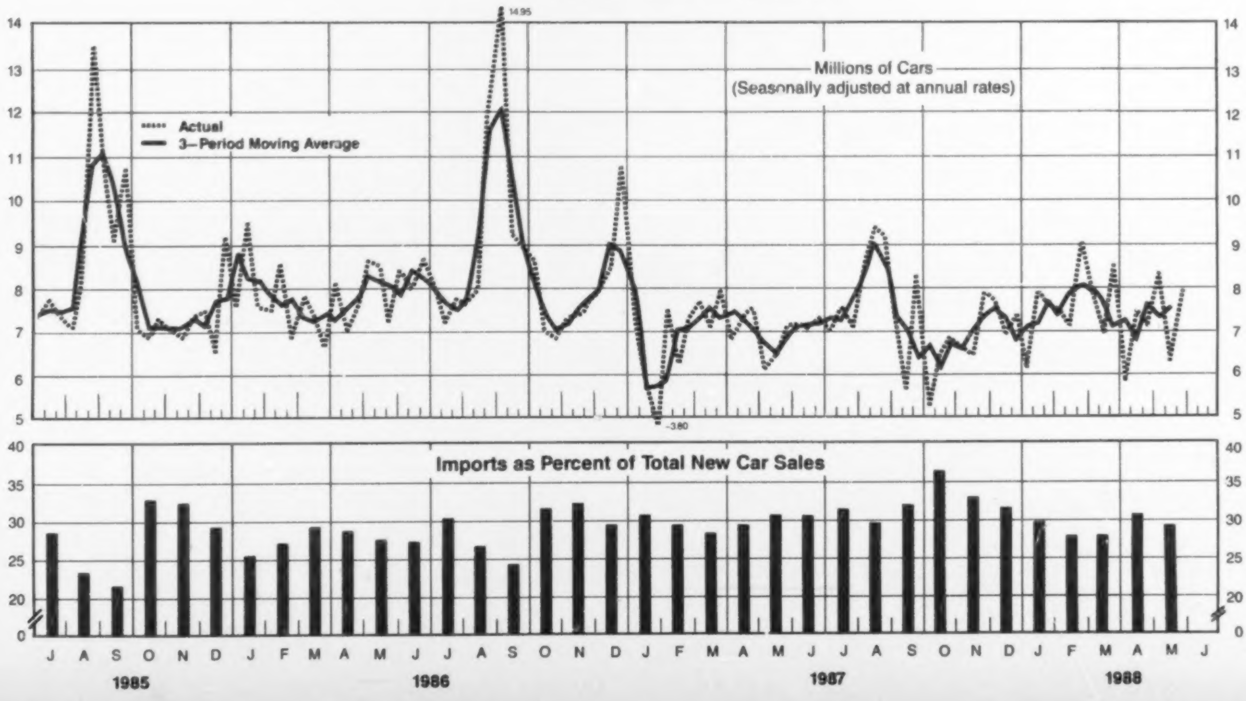
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	
	11-20	7.66	8.00	7.10	
	21-30	7.08	8.60	7.27	
July:	1-10	7.38	8.04	7.04	
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND GROWTH REMAINS VIGOROUS DESPITE NO PICK-UP IN HOME & CAR SALES
- STRONG CONSUMER OPTIMISM CONTINUES
- LABOR REPORTS REMAIN FAVORABLE
- INDUSTRIAL OUTPUT GROWTH IS STEADY AS CONSUMPTION AND INVESTMENT RISE AND EXPORT GROWTH CONTINUES MODEST
- UPTICK IN INFLATION IS LIKELY AS PRODUCTION GAINS CRAMP CAPACITY AND HOT, DRY WEATHER LIMITS CROPS
- OUTLOOK • FAIRLY VIGOROUS GROWTH IN THE THIRD AND FOURTH QUARTERS, AFTER VERY STRONG SECOND QUARTER

Volume 21, No. 7, July, 1988

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Acquisitions
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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: A rise in exports and in business investment, combined with a steady increase in consumer demand, accelerated the pace of the U.S. economy in the first half of 1988.

Real GNP rose at a seasonally adjusted 3.6% annual rate in the first quarter. The consensus of the **Economic Forecasts** is that economic growth slowed to a still respectable 2.9% in the second quarter. About the same rate is projected for the second half of the year. The economy's sustained vigor contrasts sharply with post-crash assessments. How did the renewed vigor come about?

Some of the credit goes to a lower dollar. That facilitated a strong pick-up in U.S. exports and helped to stem the tide of imports. Domestic producers then recaptured some domestic market shares and sold more overseas. The added production created job opportunities, while the added income propped up consumer demand. That's not the whole story, but the end results are that growth is up, unemployment down, and inflation remains reasonably in check. None of that, however, stopped a rise in interest rates in mid-July. That enhances prospects for some slowing of growth in the second half of 1988.

DOMESTIC MARKET MONITOR

Labor market signals are highly conflicting. Although the June rise in employment was impressive, The Conference Board's **Help-wanted Index**, a measure of labor demand, has been flat since the end of last year and early returns to the June survey suggest no change. In addition, there has been very little increase in adult labor force participation. That might suggest that some people have given up hope of finding a job, a possibility that does not square with anecdotal accounts of hard-to-fill vacancies. A better, and simpler, explanation may be that the rise in labor force participation was underestimated. That would imply that June's 5.3% unemployment rate overstates the degree of tightness in the labor market. That point is supported by the fact that hourly pay rates did not rise in June.

Whatever the origin of the surprisingly strong job growth in the first half of the year, it is unlikely to be matched in the second half. The consensus of the **Economic Forecasts** is that the unemployment rate will remain at about 5½% for the remainder of the year.

INCOME: The steady rise in the number of wage earners has led to fairly strong income gains. Wages in commodity-producing industries were 1.4% higher in May than three months earlier. Wages in the "other industry" category were 1.9% higher. Moreover, the June rise in employment and hours worked (but not in hourly pay rates), suggests that wage income continues to rise at a brisk pace. The rise in spending power could add momentum to consumer demand.

Nonwage income growth, in contrast, has begun to weaken a a little, except for dividends and shopkeepers' income, which continue to rise sharply. Overall, nonwage income was 1.5% higher in May then three months earlier. Interest income was only 0.2% higher. Rental income continued to decline.

Consumer willingness to borrow remains quite subdued. The ratio of **Consumer Debt Expansion to Personal Income** declined in May, principally as a result of income growth and a fairly sharp drop in car loans. Car sales were a little stronger in June than in May, raising the possibility that May's fall in borrowing was a one-time occurrence. But non-auto loans show sign of reviving.

The recent good news from the labor market, as well as continued strong income gains, has reinforced consumer atttudes. The Conference Board's **Consumer Confidence Index** stood at 115.5 in June, identical to its pre-crash level. The Expectations component (appraisal of job and pay prospects six months hence) registered 108.7 in June, which is below last September's level but nonetheless strong. These readings suggest that consumers believe economic conditions are good right now and are optimistic the economy will still be quite healthy in six months.

SPENDING: Bouyed by strong income gains and upbeat attitudes, consumer spending remains brisk. Retail sales, except autos, were 2% higher in May than three months earlier, and sales of durable goods, except autos, were 2.9% higher.

Car buying remains a weak spot in the otherwise solid performance of consumer demand. New domestic **Automobile Sales** slowed in April and May. And although sales rebounded in June, sales for the model year to date have not surpassed those of the prior year. Sales of foreign models have been running a little lower this year than last. There are no indications that car sales will take off in the second half of the year.

CONSTRUCTION: New home sales have been another weak spot in consumer demand. By March, new, single-family home sales were back to last October's level. However, the fact that sales were flat in April and May suggests the recovery has reached a plateau, at a still depressed level.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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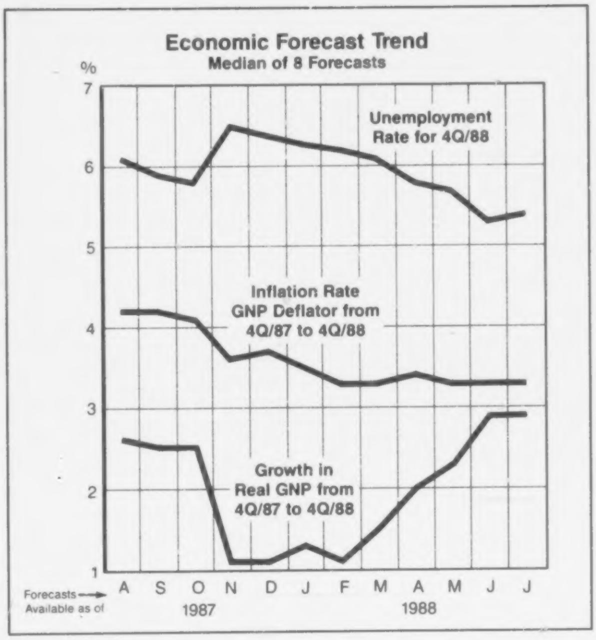


Nor are home sales likely to resume recovery in the second half of 1988. In fact, the latest hike in interest rates is likely to hurt car and home sales, already the two weakest segments of consumer demand. Homebuilders were not anticipating a resumption of home sales before the latest rate hikes. Single unit housing starts were 10.3% lower in May than three month earlier. Construction of rental units is also very weak.

Even though homebuilding is weak, construction employment is up. The reason is a recovery in nonresidential building, a reflection of the strength in business investment. Industrial building was 24% higher in May than three months earlier. The rise in office, commercial, and public building was less dramatic but nonetheless impressive.

PRODUCTION: More output has been the response to more consumer demand and more business investment, together with a rise in export orders. Total industrial production was 1.2% higher in May than three months earlier, despite a decline in the output of defense- and space-related materiel. The gains in employment and hours worked in June suggest another sharp rise.

As producers continue to fill old orders faster than new orders come in, new orders for durable goods have started to rise again. Total orders, except defense-related, were 1.2% higher in May than three months earlier.

INVENTORY: The rise in stocks on hand over the first half of 1988 matched the pace of sales. Total inventory, except cars at the retail level, was 1.8% higher in April than three months earlier. But the Inventory-to-Sales ratio did not change over this period. Thus, despite some inventory building, stocks remain reasonably lean.

INFLATION: The latest inflation fear is that the hot, dry weather will result in crop losses, which would push up food prices. The Agricultural Department reported a one-quarter decline in harvests to date this year. But it also noted that there are ample food stocks on hand.

Another inflation concern is that, given its strength, the economy may overheat. Indeed, the overall capacity utilization rate approached 83% in April and May, after hovering around 82½% over the prior four months.

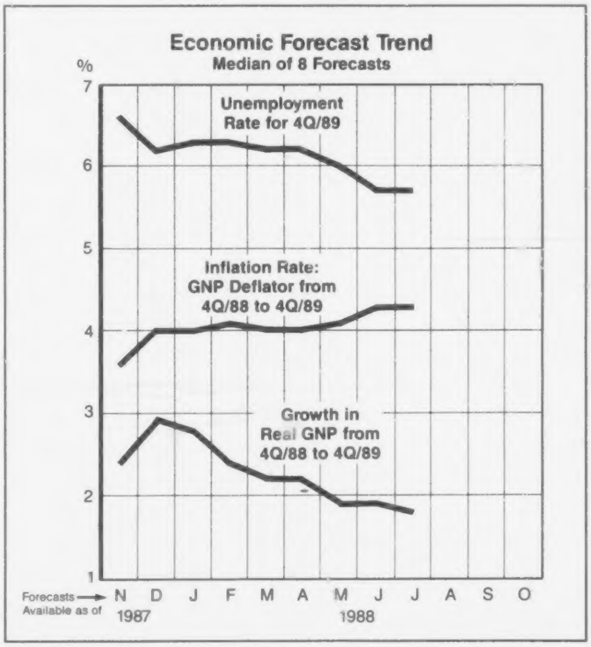
Inflation is unlikely to heat up markedly. The consensus of the **Economic Forecasts** is that the CPI will rise by about 5% in the second half of this year, and probably be limited to a 5½% hike in 1989. Notwithstanding that modest inflation outlook the prime rate was hiked in July. But consumer borrowing remains subdued, business borrowing to finance investment or inventory is not rising sharply, the banks' cost of raising funds has not suddenly spurted, and the dollar remains stable. That evidence suggests inflationary fears outweigh the data on current conditions or the consensus forecasts of were we go from here.

INTERNATIONAL MONITOR

Despite gains in both consumer buying and business investment, imports have remained stable. Total imports of manufactured goods were no higher in April than last November, principally because of reduced consumer goods purchases.

The rise in exports, while no longer explosive, remains strong. While imports have been stable since November, exports rose 8.2% over the same period. Import growth may resume in the second half of the year. But there are no indications of a fall off in export growth.

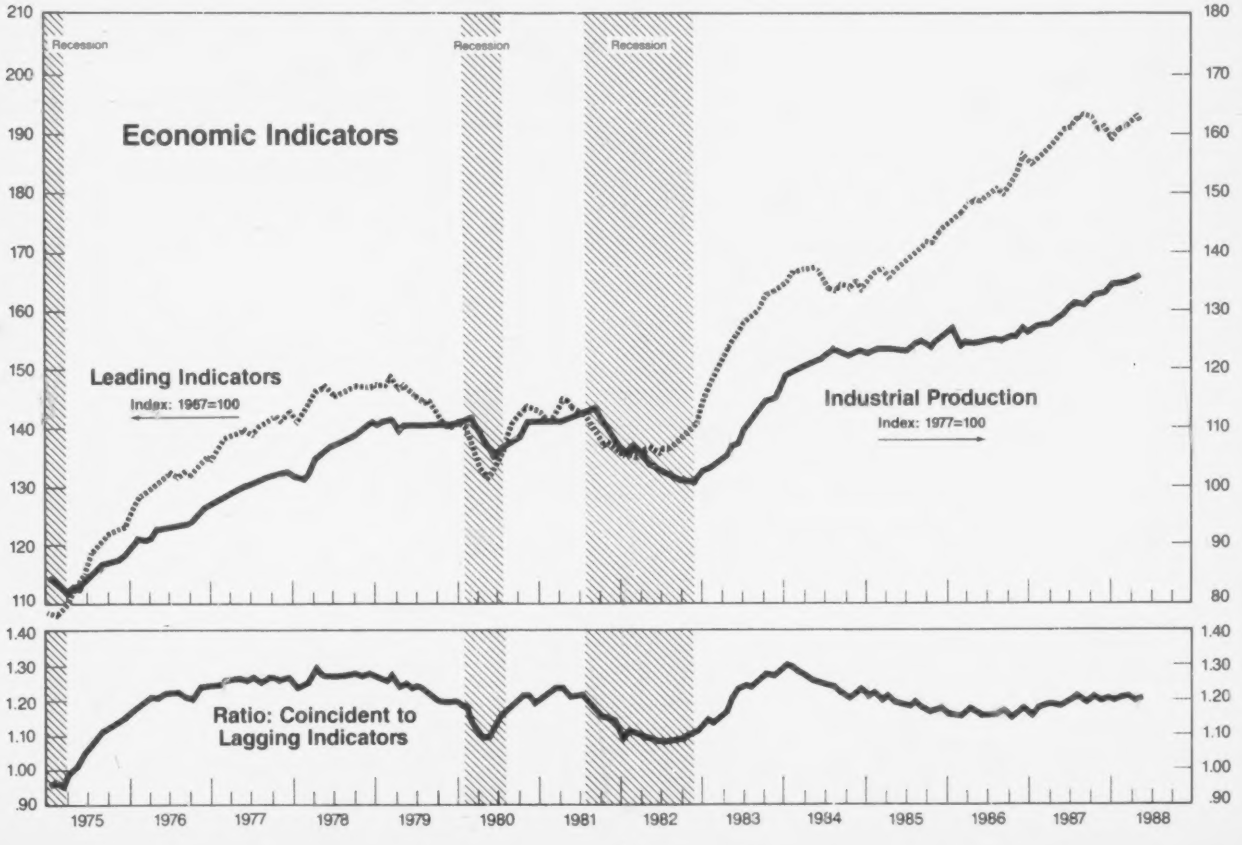
Ken Goldstein
July 14, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	May	X			1.4%	2.1%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	May			X	– 7.2%	4.2%
New orders, nondefense capital goods (deflated)	May			X	– 6.7%	4.4%
*New business formation	May		X		– 0.1%	3.8%
*Housing permits	May		X		0.4%	– 4.5%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	May	X			2.9%	6.0%
*Change in inventory, on hand & order (deflated)	Apr.			X	–16.4%	– 8.2%
Purchasing agents' buying policy	Jun.		X		– 8.0%	3.0%
*Vendor performance, reported slower deliveries	May		X		0.0%	6.0%
Industrial raw materials prices	Jun.	X			6.0%	12.0%
*Change in sensitive material prices	May	X			0.3%	– 0.4%
Sensitive Financial Flows						
*Money balance (M2 deflated)	May	X			0.6%	1.4%
Change in business loans	May			X	–45.3%	25.8%
*Change in credit outstanding	Apr.		X		– 1.1%	5.4%
Change in consumer installment debt	Apr.			X	–31.1%	–11.7%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q			X	– 1.4%	10.0%
*Common stock prices	Jun	X			2.4%	– 9.7%
Marginal Employment Adjustments						
*Average workweek, mfg.	May		X		0.1hr	0.1hr
*Initial unemployment claims (inverted)	May			X	4.4%	5.8%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) June, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 May	1988 Feb.	1988 Mar.	1988 Apr.	1988 May(e)
Principal Diffusion Index	61.7	58.5r	59.1r	60.5r	57.4
Auxillary Diffusion Index	46.9r	49.0r	51.9r	54.8r	39.8
Industrial Group	59.0	58.7r	59.9r	64.4r	59.3
Nonindustrial Group	64.4	58.3	58.2	56.7r	55.5
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	64.1	62.8	62.4r	67.5r	67.1
Labor	57.7	56.3r	56.8r	60.4r	54.5
Miscellaneous	54.5	58.3	64.1	69.9	59.6
Nonindustrial Subgroups					
Prices	85.3	60.9	57.7	55.1	53.2
Consumer	66.2	69.7	74.4	68.4	63.2
Building	40.7	47.4	48.1	48.7	49.4
Miscellaneous	64.5	52.6	49.1	51.3r	53.4

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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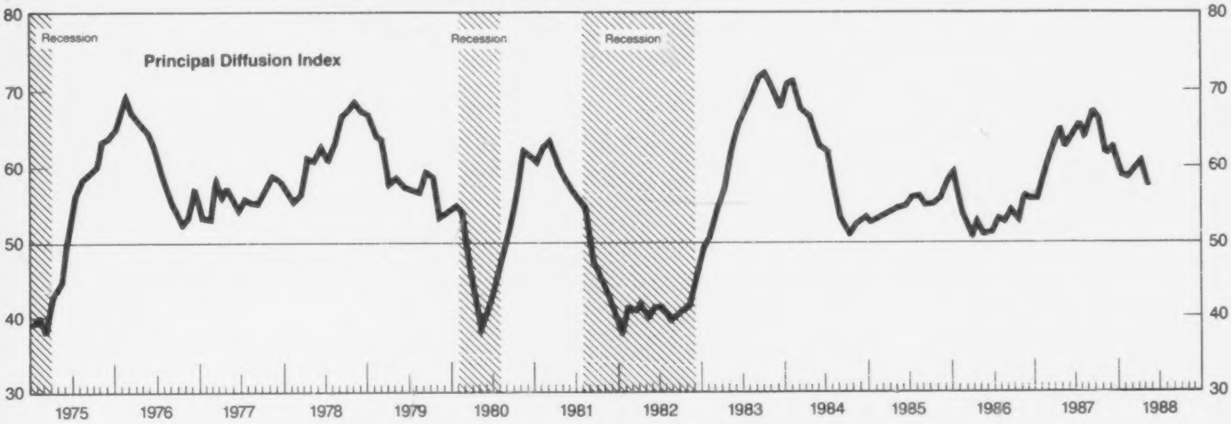
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985				*1986*				*1987*			
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)											
Measure of Business Confidence	51	55	61	61	50	51	55	55	59	47	51	58
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	45	53	63	61	44	50	56	55	62	50	49	64
2. Expectations for Economy, Six Months Ahead	53	56	62	62	52	51	54	53	56	43	50	54
3. Expectations for Own Industry, Six Months Ahead	54	56	59	60	54	53	56	56	58	48	54	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1986		1987				1988	Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	III	IV	I	II	IIIr	IVr	Ip	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.203	22.097	21.441	32.257	29.561	35.909	32.034	31%	11%
Capital expenditures	22.452	23.299	20.801	25.933	27.381	29.820	30.279	11	21
Change in appropriations backlog*	−5.060	−10.990	−0.550	+5.460	−0.080	+3.510	+0.870		
Durable Goods									
New appropriations	10.807	10.807	9.746	16.515	17.208	20.245	15.124	55	3
Capital expenditures	12.186	12.915	11.124	14.006	13.970	16.037	16.496	17	22
Change in appropriations backlog*	−3.986	−4.140	−2.070	+2.310	+2.930	+3.810	−1.720		
Nondurable Goods									
New appropriations	10.152	11.290	11.695	15.742	12.353	15.664	16.910	24	18
Capital expenditures	10.266	10.384	9.677	11.927	13.411	13.783	13.783	6	21
Change in appropriations backlog*	−1.074	−6.853	+1.520	+3.160	−3.010	−0.300	+2.590		
ELECTRIC & GAS UTILITIES									
New appropriations	5.530	5.491	6.482	5.569	5.135r	6.094p			
Capital expenditures	7.535	6.080	7.622r	7.032r	7.728r	6.524p			
Change in appropriations backlog*	−2.110	−1.005	−0.810r	−1.590r	−2.830r	−0.680p			

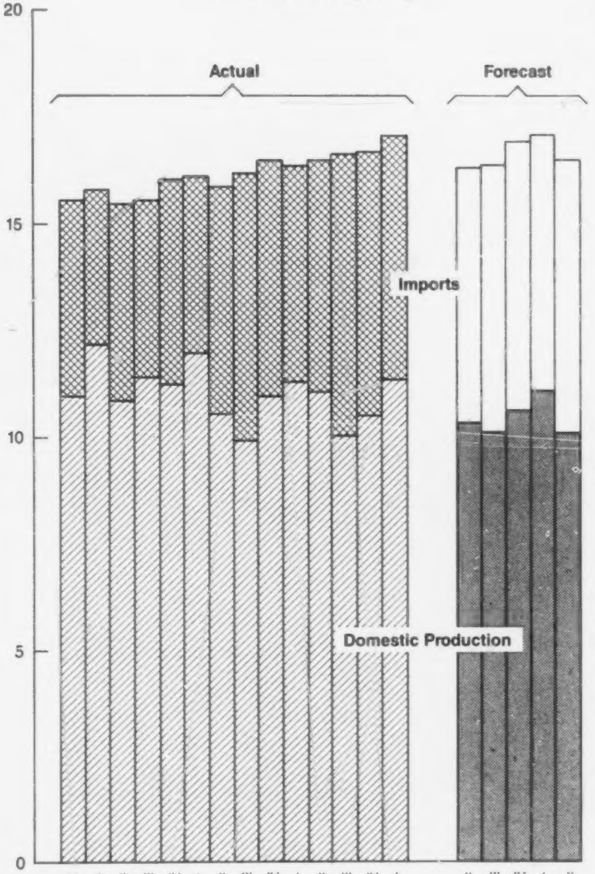
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

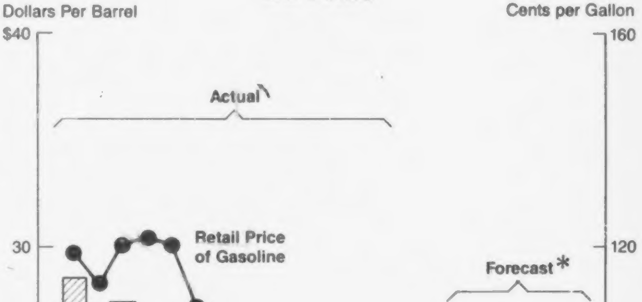
* Change in Backlog = New Appropriations − (Expenditures + Cancellations and Other Adjustments).

Oil Supply

Millions of Barrels per Day



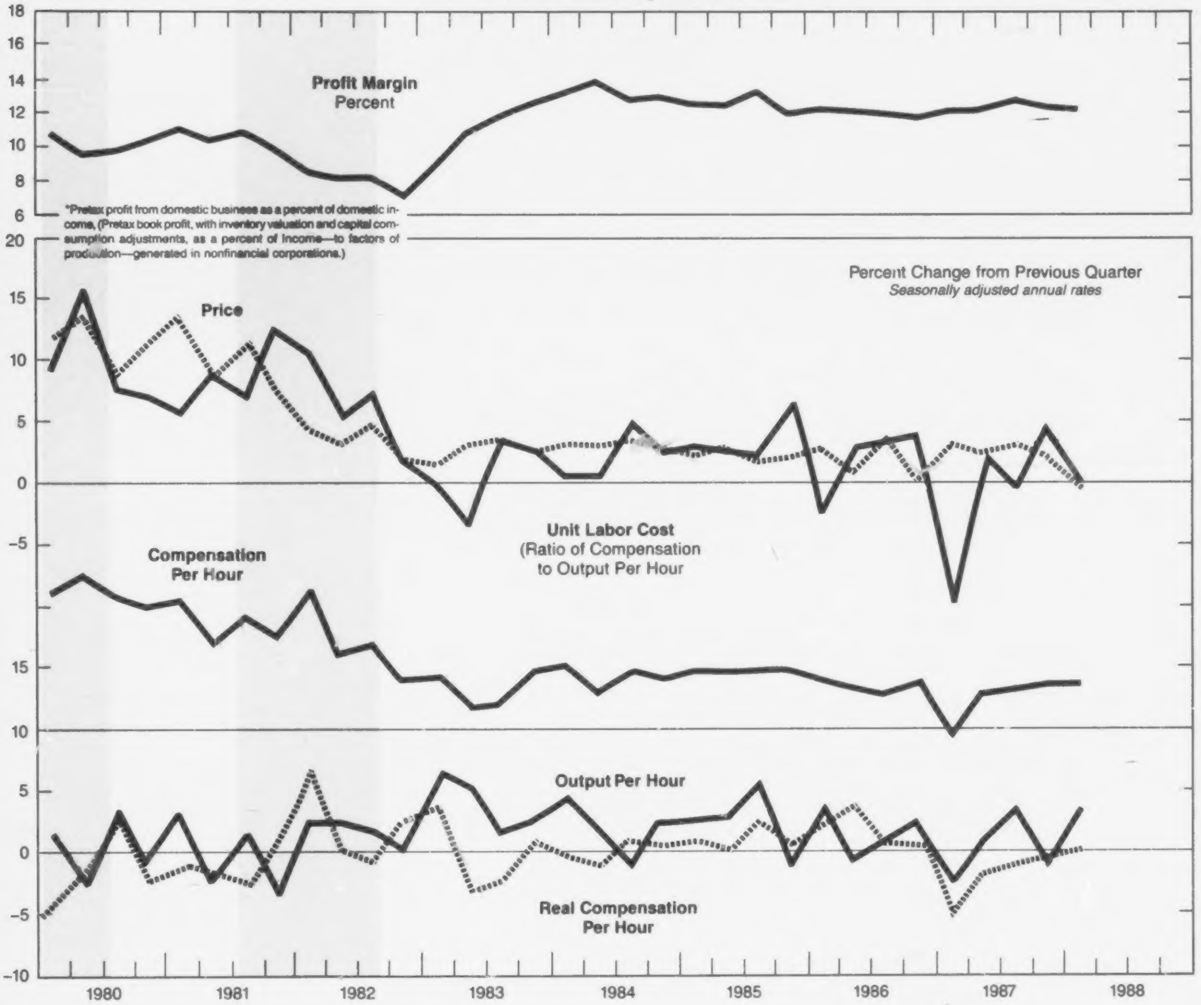
Oil Price



* Source of Forecast is The Energy Information Administration; Department of Energy.

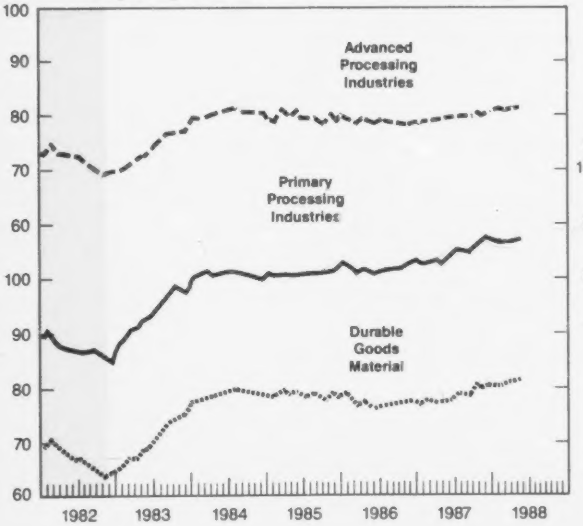
Key Determinants of Profit Margin

Nonfinancial Corporations

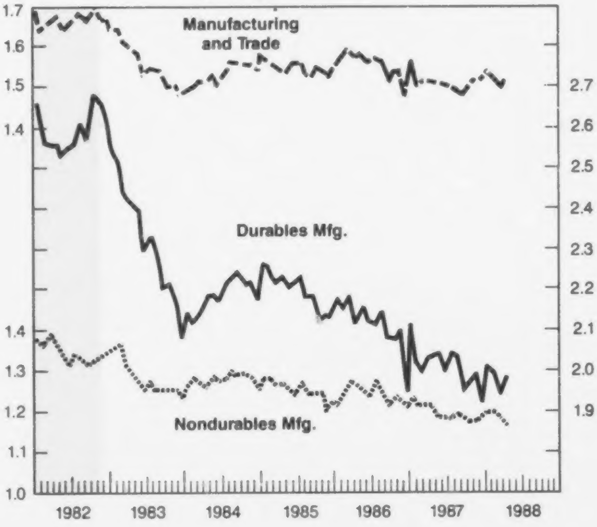


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory—Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*May, 1988*		*June, 1988*		*June, 1988*		*June, 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**I**	**$4668.7**	**5.4%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**
Forecast	1988	II	4739.0	6.2	4753.8	7.8	4747.7	7.3	4748.0	7.3
		III	4790.6	4.4	4840.4	7.5	4830.0	7.1	4834.1	7.5
		IV	4849.1	5.0	4925.4	7.2	4899.0	5.8	4911.4	6.6
	1989	I	4937.9	7.5	5014.3	7.4	4973.8	6.2	4990.7	6.6
		II	5016.3	6.5	5068.6	4.4	5039.3	5.4	5072.5	6.7
		III	5090.0	6.0	5125.1	4.5	5112.6	5.9	5143.6	5.7
		IV	5181.8	7.4	5224.4	8.0	5196.8	6.8	5164.8	1.7
	1990	I	5260.9	6.2			5294.0	7.7		
		II	5331.0	5.4			5398.7	8.1		
	1988	Annual	4761.9	6.1	4796.2	6.9	4785.5	6.6	4789.7	6.7
	1989	Annual	5056.5	6.2	5108.1	6.5	5080.6	6.2	5092.9	6.3
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**I**	**$3918.0**	**3.9%**	**$3915.4**	**3.6**	**$3915.4**	**3.6%**	**$3915.4**	**3.6%**
Forecast	1988	II	3930.1	1.2	3944.2	3.0	3940.0	2.5	3955.0	4.1
		III	3940.8	1.1	3971.8	2.8	3959.0	1.9	3982.5	2.8
		IV	3953.0	1.2	3997.7	2.6	3978.0	1.9	4006.3	2.4
	1989	I	3983.5	3.1	4018.3	2.1	3995.0	1.7	4015.0	0.9
		II	4005.7	2.2	4015.1	-0.3	4009.0	1.4	4029.7	1.5
		III	4023.4	1.8	4012.3	-0.3	4032.0	2.3	4031.6	0.2
		IV	4054.1	3.1	4045.3	3.3	4060.0	2.8	4035.2	0.4
	1990	I	4065.0	1.1			4088.0	2.8		
		II	4073.7	0.9			4118.0	3.0		
	1988	Annual	3935.5	3.0	3957.3	3.6	3948.1	3.3	3964.8	3.8
	1989	Annual	4016.7	2.1	4022.8	1.7	4024.0	1.7	4027.9	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**I**	**119.2**	**1.5%**	**119.1**	**1.4%**	**119.1**	**1.4%**	**119.1**	**1.4%**
Forecast	1988	II	120.6	4.9	120.5	4.7	120.5	4.6	120.1	3.1
		III	121.6	3.3	121.9	4.5	122.0	5.1	121.4	4.5
		IV	122.7	3.7	123.2	4.5	123.2	3.8	122.6	4.0
	1990	I	124.0	4.3	124.8	5.2	124.5	4.5	124.3	5.7
		II	125.2	4.2	126.2	4.7	125.7	3.9	125.9	5.2
		III	126.5	4.2	127.7	4.8	126.8	3.5	127.6	5.5
		IV	127.8	4.2	129.1	4.5	128.0	3.8	128.0	1.3
	1990	I	129.4	5.1			129.5	4.8		
		II	130.9	4.5			131.1	5.0		
	1988	Annual	121.0	3.0	121.2	3.2	121.2	3.2	120.8	2.8
	1989	Annual	125.9	4.0	127.0	4.8	126.3	4.2	126.4	4.7
Unemployment Rate										
Actual	**1988**	**I**		**5.7%**		**5.7%**		**5.7%**		**5.7%**
Forecast	1988	II		5.5		5.5		5.5		5.6
		III		5.6		5.4		5.6		5.4
		IV		5.7		5.3		5.6		5.3
	1989	I		5.7		5.3		5.7		5.4
		II		5.7		5.7		5.8		5.4
		III		5.7		6.2		5.9		5.5
		IV		5.6		6.0		5.8		5.6
	1990	I		5.6				5.8		
		II		5.7				5.7		
	1988	Annual		5.6		5.5		5.6		5.5
	1989	Annual		5.6		5.8		5.8		5.5

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[2] Based on revised first quarter data.

[1] Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

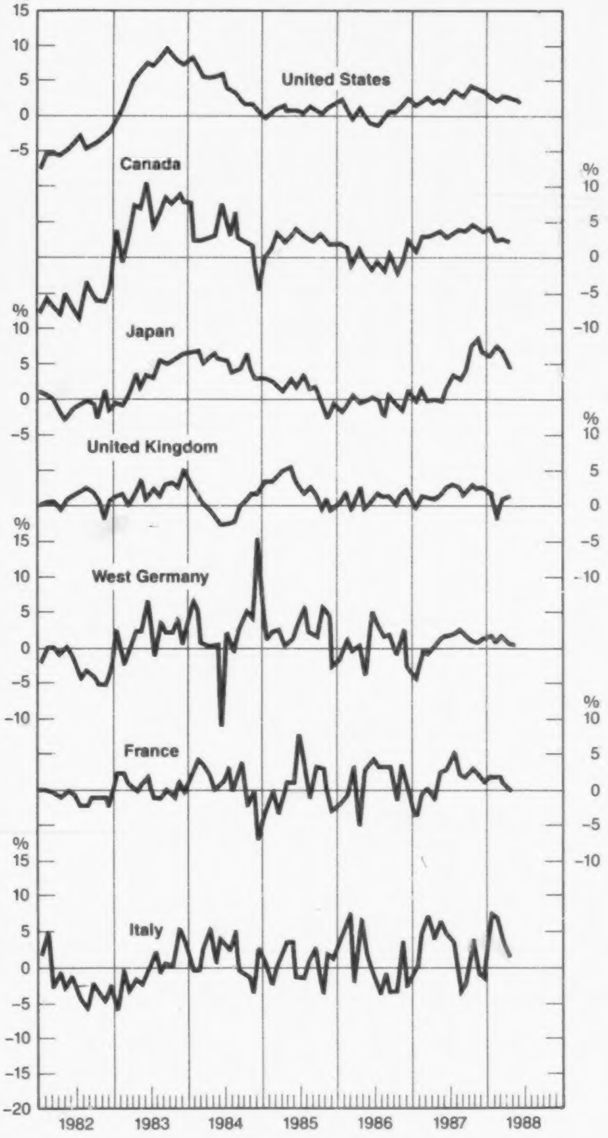
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
June, 1988		*June, 1988*		*June, 1988*		*June, 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4665.1	**5.1%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**	**$4665.1**	**5.1%**	**I**	**1988**	**Actual**
4736.0	6.2	4739.5	6.5	4747.9	7.3	4750.0	7.5	II	1988	Forecast
4808.0	6.2	4812.7	6.3	4797.9	4.3	4832.6	7.1	III		
4884.0	6.5	4884.5	6.1	4864.8	5.7	4911.6	6.7	IV		
4968.0	7.1	4962.1	6.5	4961.9	8.2	4997.4	7.2	I	1989	
5020.0	4.3	5036.6	6.1	5035.3	6.0	5071.0	6.0	II		
5057.0	3.0	5111.7	6.1	5113.9	6.4	5141.4	5.7	III		
5113.0	4.5	5187.8	6.1	5212.2	7.9	5211.4	5.6	IV		
		5280.1	7.3	5310.0	7.7	5289.4	6.1	I	1990	
		5360.3	6.2	5406.0	7.4	5386.1	7.5	II		
4773.3	6.3	4775.5	6.4	4768.9	6.2	4789.8	6.7	Annual	1988	
5039.5	5.6	5074.6	6.3	5080.8	6.5	5105.3	6.6	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3915.4	**3.6%**	**$3915.4**	**3.6%**	**$3915.4**	**3.6%**	**$3915.4**	**3.6%**	**I**	**1988**	**Actual**
3950.2	3.6	3944.1	3.0	3937.7	2.3	3942.8	2.8	II	1988	Forecast
3973.9	2.4	3970.0	2.7	3949.4	1.2	3965.6	2.3	III		
3993.5	2.0	3992.9	2.3	3968.9	2.0	3990.9	2.6	IV		
4013.2	2.0	4011.9	1.9	4003.4	3.5	4013.0	2.2	I	1989	
4003.1	−1.0	4032.6	2.1	4021.1	1.8	4025.1	1.2	II		
3985.0	−1.8	4055.1	2.3	4043.1	2.2	4035.3	1.0	III		
3985.0	0.0	4082.3	2.7	4078.2	3.5	4050.3	1.5	IV		
		4107.0	2.4	4103.9	2.5	4063.2	1.3	I	1990	
		4127.2	2.0	4131.3	2.7	4095.5	3.2	II		
3958.3	3.6	3955.6	3.5	3942.9	3.2	3953.7	3.5	Annual	1988	
3996.6	1.0	4045.5	2.3	4036.5	2.4	4030.9	2.0	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
119.1	**1.4%**	**119.1**	**1.4%**	**119.1**	**1.4%**	**119.1**	**1.4%**	**I**	**1988**	**Actual**
119.9	2.5	120.2	3.5	120.6	4.9	120.5	4.5	II	1988	Forecast
121.0	3.7	121.2	3.6	121.5	3.0	121.9	4.7	III		
122.3	4.4	122.3	3.7	122.6	3.6	123.1	4.0	IV		
123.8	5.0	123.7	4.5	123.9	4.5	124.5	4.8	I	1989	
125.4	5.3	124.9	4.0	125.2	4.2	126.0	4.8	II		
126.9	4.9	126.1	3.8	126.5	4.1	127.4	4.6	III		
128.3	4.5	127.1	3.3	127.8	4.2	128.7	4.0	IV		
		128.6	4.8	129.4	5.0	130.2	4.8	I	1990	
		129.9	4.2	130.9	4.6	131.5	4.2	II		
120.6	2.7	120.7	2.8	120.9	3.0	121.1	3.1	Annual	1988	
126.1	4.6	125.4	3.9	125.9	4.1	126.6	4.5	Annual	1989	
								Unemployment Rate		
	5.7%		**5.7%**		**5.7%**		**5.7%**	**I**	**1988**	**Actual**
	5.4		5.5		5.5		5.5	II	1988	Forecast
	5.4		5.4		5.5		5.4	III		
	5.3		5.4		5.6		5.4	IV		
	5.5		5.4		5.5		5.4	I	1989	
	5.8		5.4		5.5		5.6	II		
	6.1		5.5		5.5		5.8	III		
	6.2		5.5		5.4		6.0	IV		
			5.4		5.4		6.3	I	1990	
			5.5		5.3		6.6	II		
	5.5		5.5		5.6		5.5	Annual	1988	
	5.9		5.5		5.5		5.7	Annual	1989	

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available on cost-effective diskettes in LOTUS and other formats. For more information, contact Linette Waters at (212) 759-0900.

Selected International Comparisons

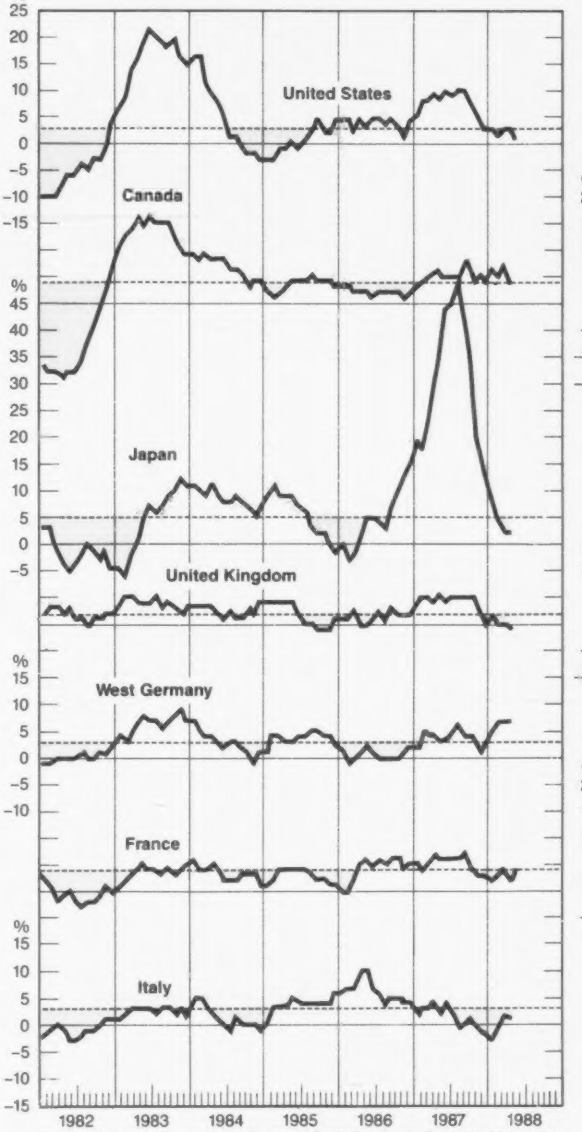
Industrial Production Indexes

Change Over Six Month Span



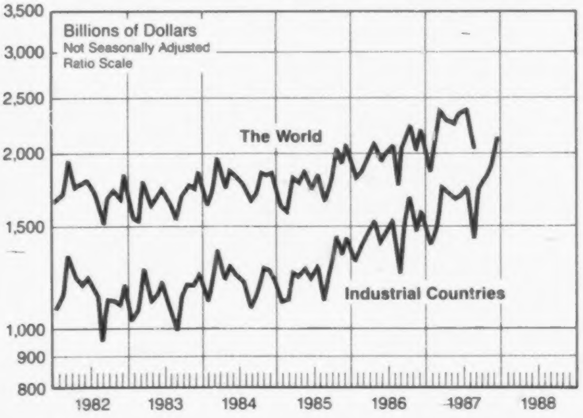
Leading Business Cycle Indexes

Change From Preceding Year

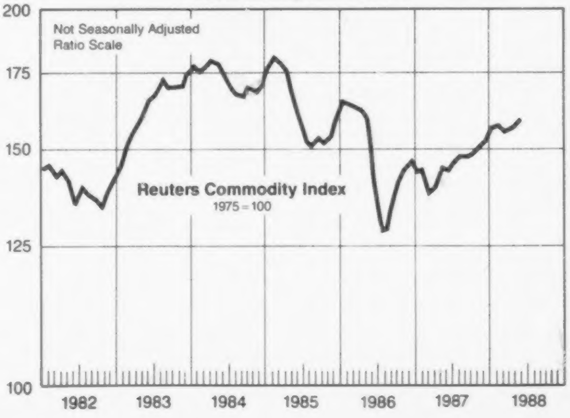


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

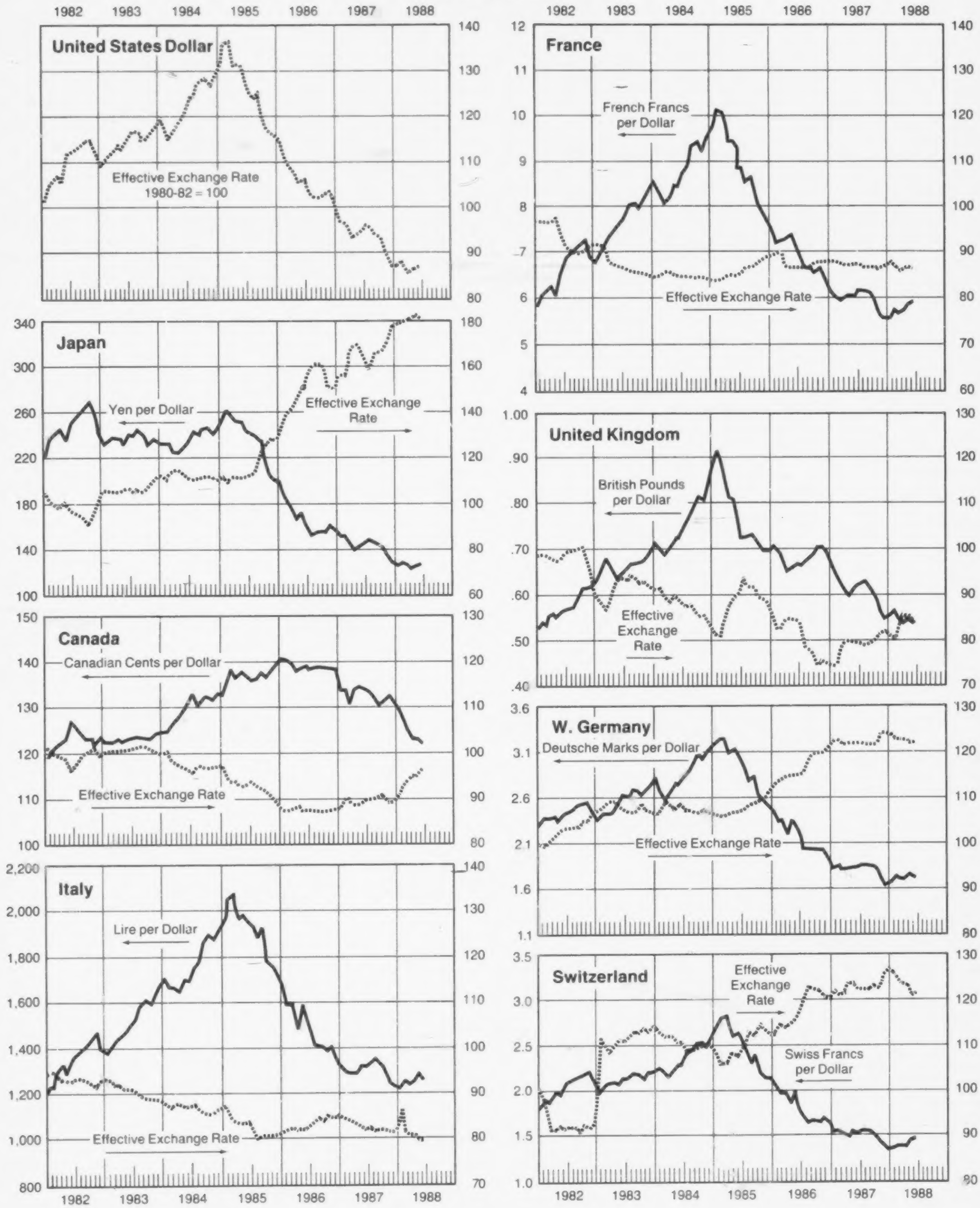


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates: Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

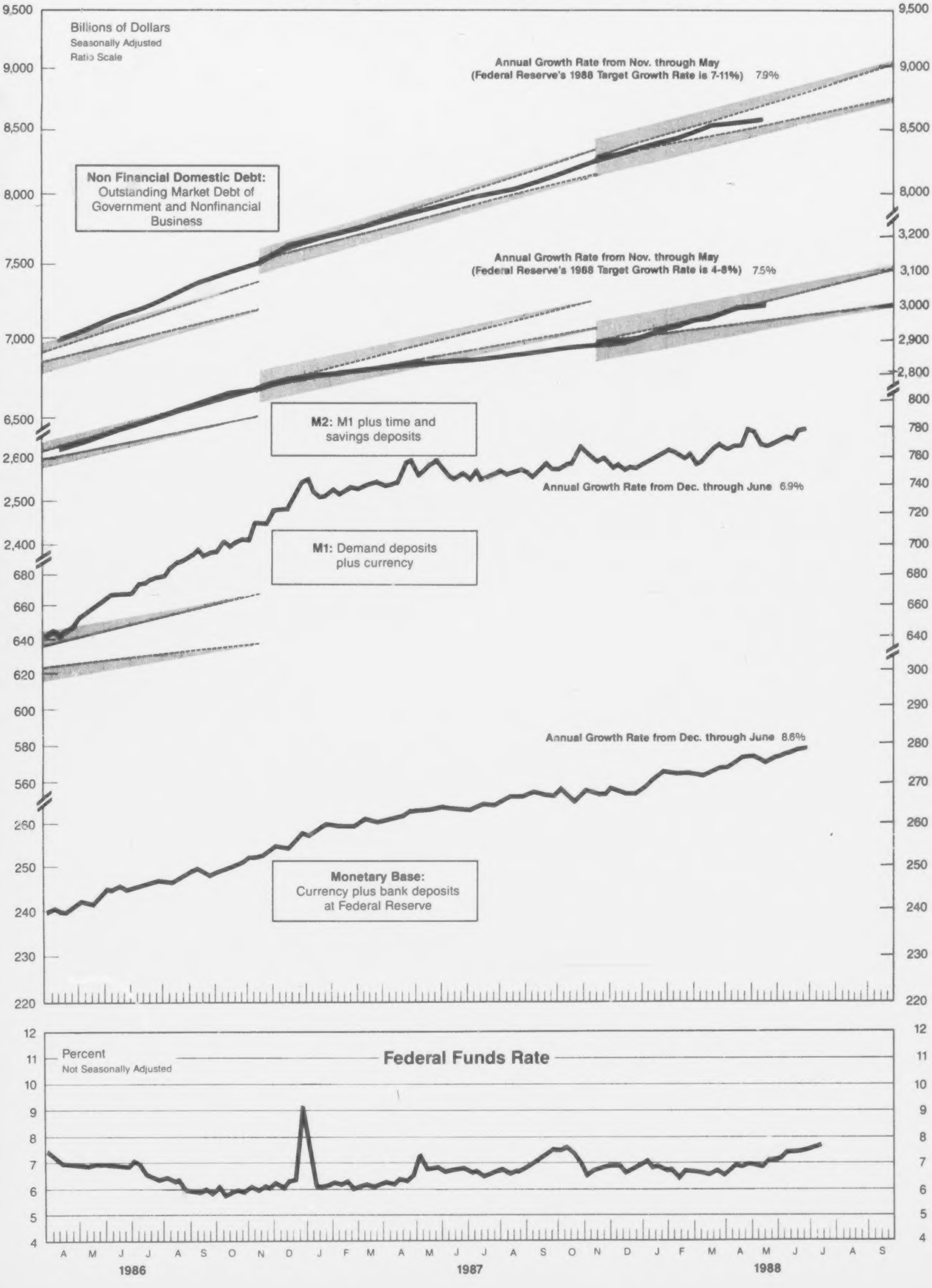
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Outlays	**1,004.6**	**1,055.9**	**1,094.6**	**1,094.5**	**1,099.7**
Deficit	**– 150.4**	**– 146.7**	**– 129.4**	**– 129.8**	**– 135.3**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Individual income	392.6	393.4	412.4	412.4	412.3
Social security	303.3	331.5	354.6	117.7	354.6
Corporate income	83.9	105.6	117.7	354.6	117.5
Other receipts	74.4	78.7	80.5	80.0	80.0
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,094.6**	**$1,094.5**	**$1,099.7**
Social security	282.5	298.6	319.1	317.8	320.4
National defense	282.0	285.4	294.5	294.0	294.0
Income security	123.2	129.6	137.5	135.6	138.1
Health	40.0	44.5	48.4	47.8	48.9
Education & manpower	29.7	33.7	34.5	37.4	35.4
Veterans benefits	26.8	27.7	28.0	29.6	28.4
Transportation	26.2	27.2	27.1	27.3	27.9
Agriculture	27.4	22.4	21.0	21.7	21.6
Natural resources	13.4	15.1	16.2	16.0	16.3
International affairs	11.6	9.9	16.2	13.3	16.2
General science	9.2	10.9	13.0	13.1	12.6
Justice	7.5	9.0	9.8	9.9	8.7
General government	7.6	8.8	9.7	9.5	9.4
Commerce, housing credit	6.2	12.4	7.2	7.9	9.3
Community development	5.1	6.3	6.0	5.9	6.6
Energy	4.1	2.7	3.4	3.1	4.4
Revenue sharing					
Interest	138.6	147.9	152.0	151.8	152.0
Allowances					
Offsetting receipts	– 36.5	– 36.2	– 49.2	– 47.2	– 50.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	5.9%	6.5%	5.8%	7.0%	6.8%
Constant (1982) dollar	2.9%	2.9%	2.3%	3.1%	2.6%
Implicit price deflator	3.3%	3.9%	3.4%	3.7%	4.1%
Consumer price index	4.6%	4.3%	4.5%	3.9%	4.9%
91-Day T bill rate	5.8%	5.3%	6.2%	5.2%	6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets



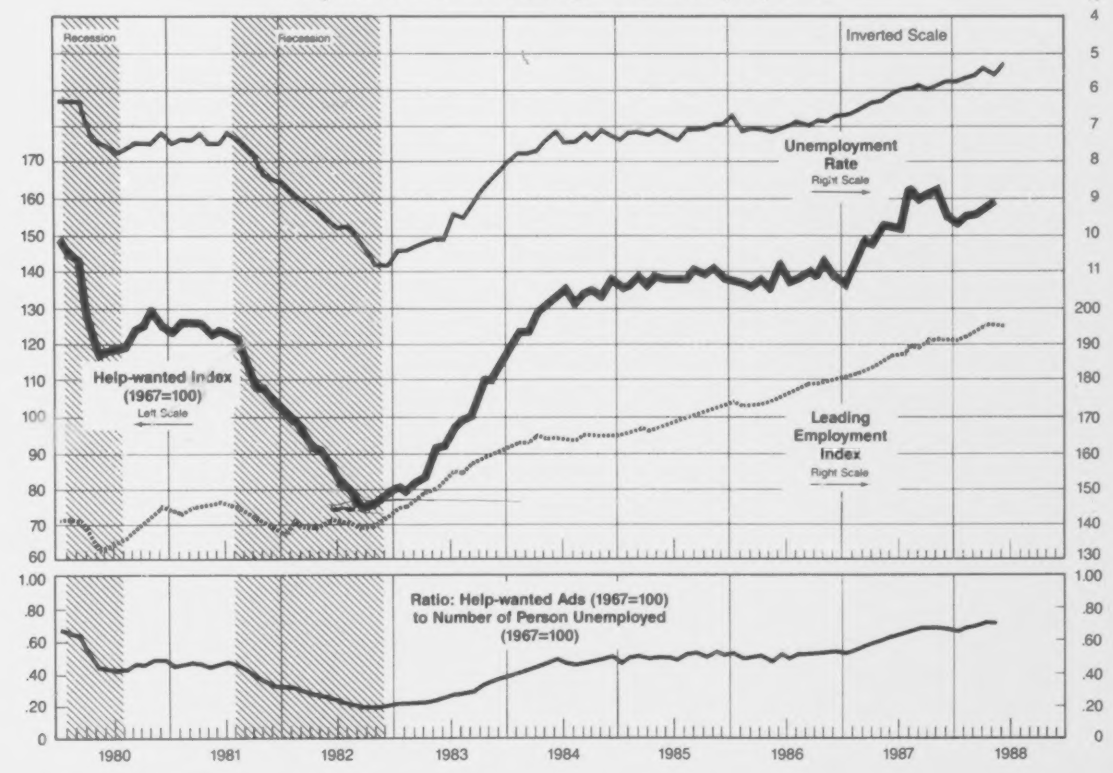
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 May	1988 Apr.	1988 Mar.	1987 May
National Index	160	157r	~~158~~	153
New England	166	161	171	185
Boston	161	151	165	186
Hartford	183	175	191	193
Providence	168	183	174	176
Middle Atlantic	93	87	92	88
Albany	216	223	233	193
Allentown	458	360	420	363
New York	62	60	65	65
Philadelphia	81	76	82	78
Pittsburgh	102	98	92	91
Rochester	107	104	105	89
Syracuse	162	159	151	143
East North Central	110	108	106	103r
Chicago	114	115r	116	115
Cincinnati	173	173	163	156
Cleveland	80	72	69	68
Columbus	198	174	169	191r
Dayton	97	95	90	85
Detroit	60	55	55	56
Gary	152	190	184	152
Indianapolis	134	131	130	113
Milwaukee	99	106	99	82r
Toledo	146	138	134	128
West North Central	103	102	101	100
Kansas City	162	152	150	163
Minneapolis	76	88	90	85
Omaha	173	162	154	146
St. Louis	75	71	67	64
South Atlantic	220	217	211	209
Atlanta	289	287	265	276
Baltimore	240	241	221	241
Charlotte	201	207	208	198
Jacksonville	238	240	227	234
Miami	174	176	171	104
Richmond	160	123	153	154
Washington, D.C.	199	197	201	208
East South Central	191	183r	169	165r
Birmingham	203	196r	179	113
Knoxville	323	312	307	267
Louisville	103	110	96	87
Memphis	149	156	149	143
Nashville	256	215	191	276r
West South Central	180	188	192	161
Dallas	162	161	160	145
Houston	253	287	301	228
New Orleans	128	128	124	112
Oklahoma City	129	118	113	102
San Antonio	144	137	139	139
Tulsa	150	137	139	134
Mountain	320	310	310	323
Denver	217	199	199	200
Phoenix	422	430	419	473
Salt Lake City	374	357	372	352
Pacific	251	248r	250r	241
Los Angeles	176	171	173	165
Sacramento	485	470	479	478
San Bernadino	N.A.	221r	289r	296
San Diego	598	614	601	564
San Francisco	254	256	254	240
Seattle	255	249	230	229
Percentage of papers with rising volume	69	61	59	73
Unemployment rate	5.6	5.4	5.6	6.3

Note: For definitions and method, see Noreen Preston, *The Help-wanted index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100

(Seasonally Adjusted)

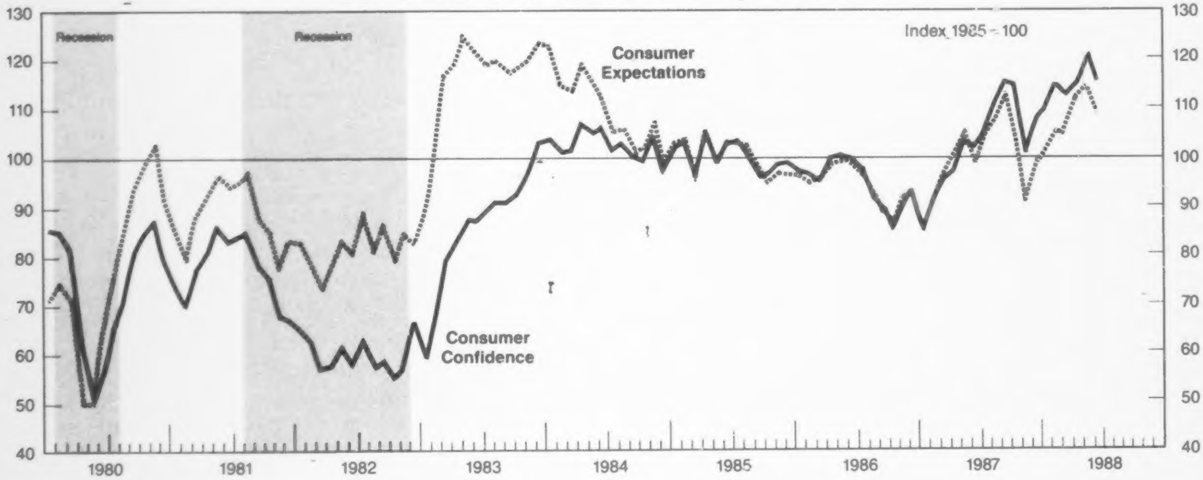
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
Consumer Confidence Index												
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2r	115.5p						
Expectations Index												
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4r	108.7p						

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981, based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

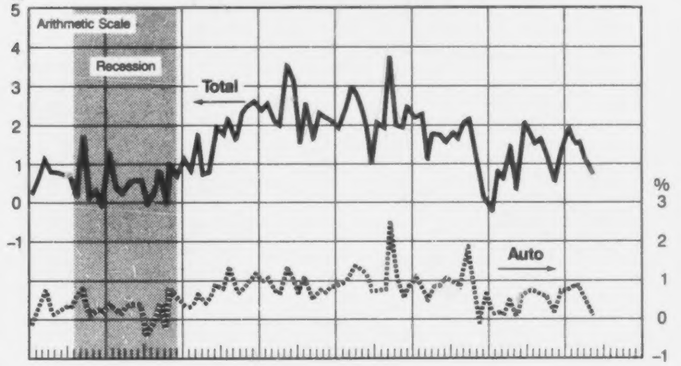
Consumer Confidence and Expectations



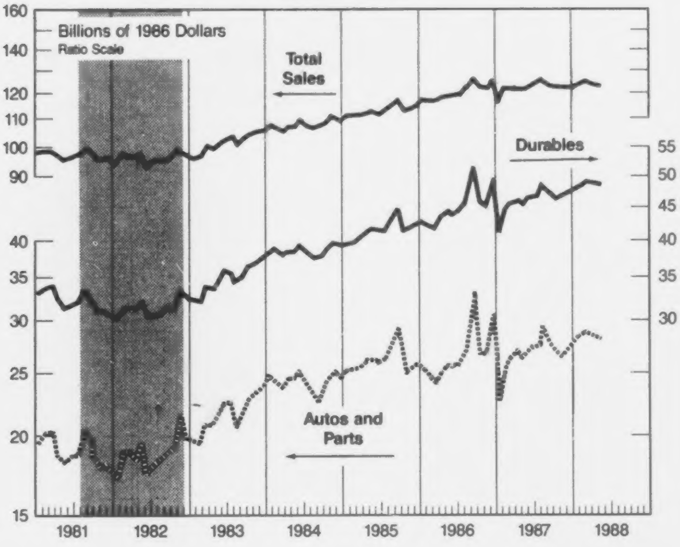
CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available for downloading to your PC. For more information, contact Linette Waters at (212) 759-0900.

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



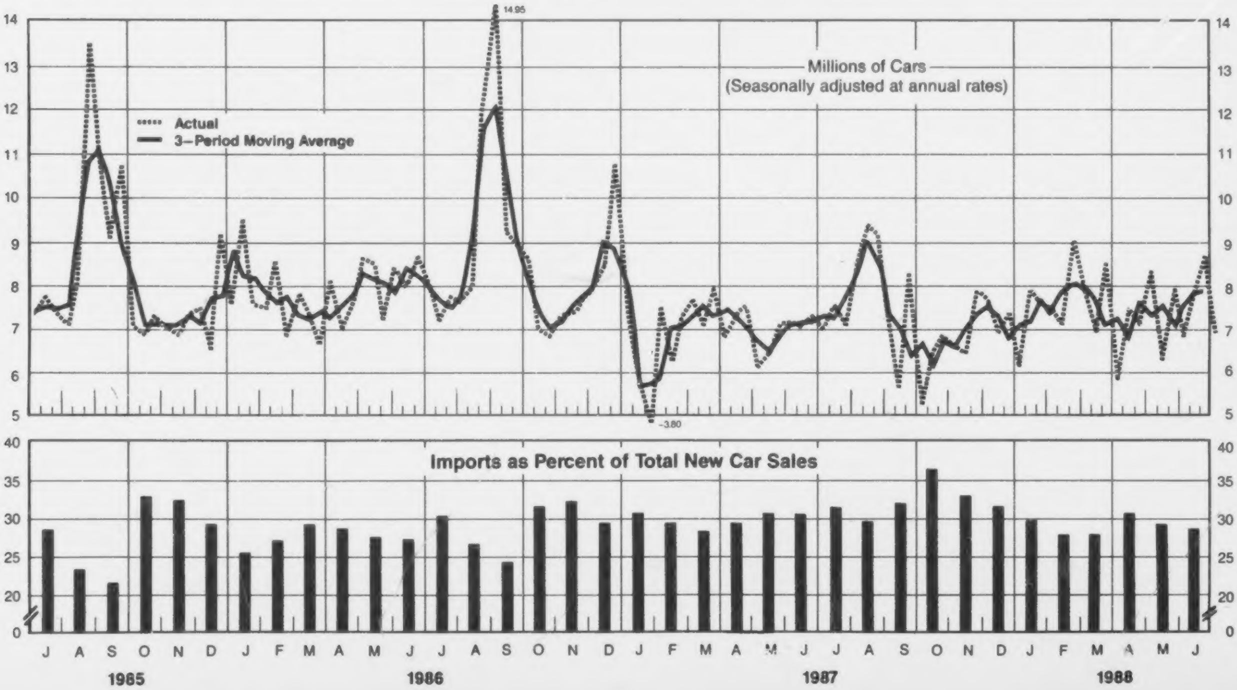
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	
	21-31	7.38	7.77	7.11	
August:	1-10	7.11	7.63	8.55	
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

Highlights

- CONSUMER DEMAND GROWTH MAY BE SLOWING WITH NO RECOVERY IN HOME & CAR SALES
- STRONG CONSUMER OPTIMISM CONTINUES
- LABOR REPORTS ARE STILL FAVORABLE
- INDUSTRIAL OUTPUT GROWTH REMAINS STRONG AS INVESTMENT RISES AND EXPORTS GROW
- MODEST UPTICK IN INFLATION IS LIKELY, AS PRODUCTION GAINS CRAMP CAPACITY; HOT, DRY WEATHER LIMITS CROPS; AND LABOR COSTS INCH UP
- OUTLOOK • MODERATE GNP GROWTH IN THE FOURTH QUARTER OF 1988, AFTER A TORRID THIRD-QUARTER PERFORMANCE

Volume 21, No. 8, August, 1988

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Statistical Reference Index
Acquisitions
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Bethesda MD 20814

The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Somewhat unexpectedly, it now appears that the U.S. economy's strong first-half performance may be duplicated in the second half of this year. Export growth remains vigorous, and business investment may even strengthen. Despite some weakening in consumer demand, real GNP is expected to rise by a more than respectable 3.9% seasonally adjusted annual rate in the third quarter, followed by a 3% rise in the fourth quarter. That pace would fairly match the 3.4% and 3.1% growth rates in the first and second quarters, respectively.

Prospects for slower growth later this year have been enhanced by heightened inflationary fears and the higher interest rates they have provoked. There is evidence that labor costs and the prices of food and of some imports have begun to rise. Such evidence and a concern that these increases may both accelerate and spread have led to three prime interest rate hikes and a rise in the discount rate—the rate banks pay to borrow from the Federal Reserve. Higher domestic interest rates were preceded by similar moves in a few of the U.S.'s major trading partners. Thus, the rate differentials haven't changed. Higher borrowing rates carry the risk of slowing growth, especially in an environment in which growth was generally expected to cool.

DOMESTIC MARKET MONITOR

Although the unemployment rate returned to 5.4%, up from 5.3% in June, July's labor market report was quite bullish. Job growth remains strong in both the goods and services sectors. There are some qualifying factors, however. Most of the new jobs are relatively low paying and were filled by adult black women and teenagers. Moreover, the ratio of working adults to all adults was no higher in July than in February.

One very good sign, in addition to more people working, is that the average workweek lengthened in July, thus raising the total number of hours worked. Total hours were 1.1% higher in July than three months earlier—indicating that economic growth remains strong. In contrast, the **Help-wanted Index**, a measure of labor demand, has remained quite flat throughout 1988, which may signal slower job growth in the coming months. Indeed, the consensus of the **Economic Forecasts** is that the unemployment rate is unlikely to fall in the second half of the year.

INCOME: More jobs, more hours worked, and some increases in hourly pay rates, have led to continued strong income gains. Wages in commodity-producing industries were 1.3% higher in May than three months earlier, while wages in the "other industry" category grew by a full 2.5 percent. The fact that job gains in recent months have been in the relatively low-paying fields suggests that wage income growth may slow a bit. That could allay fears that a continued very strong consumer demand might lead to an overheated economy.

Nonwage income growth, in contrast, continues to weaken. Overall, nonwage income was only 0.5% higher in June than three months earlier. Rental income continues to fall and shopkeepers' income has begun to decline. Paradoxically, the one strong area is the rise in interest income—as inflation fears push borrowing and saving rates higher.

After a year of very sluggish growth, consumer credit demand remains subdued but regained some strength in the first half of 1988. The data for June show a rise in the financing of car purchases, while revolving credit use has remained flat. In June, the ratio of **Consumer Installment Debt Expansion to Personal Income** was below levels set in 1986.

Continued good news from the labor market has helped to sustain consumer attitudes. The Conference Board's **Consumer Confidence Index** stood at 113 (1967=100) in July. While that is marginally lower than May's 120.2 reading, it remains quite high by historical standards. The fall in the **Expectations** component of this series was more pronounced: It slipped from 114.4 in May to 103.5 in July. Still, that reading is high enough to suggest consumers anticipate continued job openings and pay increases over the next six months.

SPENDING: Despite strong income gains and upbeat attitudes, the rise in consumer spending hasn't been very strong. Total retail sales, except autos, were 1.7% higher in July than three months earlier. But durable-goods' sales, except autos, were up by only 0.3 percent.

After two months of modest improvement, new domestic **Automobile Sales** turned lackluster once again in July. Sales for this model year have been running below the year-ago pace. The same is generally true with respect to foreign models. And with interest rates moving higher, sales are unlikely to improve in the last months of the model year. Nor do prospects appear rosy for the next model year.

CONSTRUCTION: New home sales rose sharply in June. However, continued price hikes, as well as a new round of mortgage rate increases, make it unlikely that June will prove more than an aberration in trend for the remainder of the second half. In fact, home and car sales, already the two weakest segments of consumer demand, will be among those hardest hit by rising interest rates. Homebuilders were not anticipating a recovery in sales even before this latest damper. Single-unit housing starts were 6.3% lower in June than three months earlier. Building of rental units has been even weaker.

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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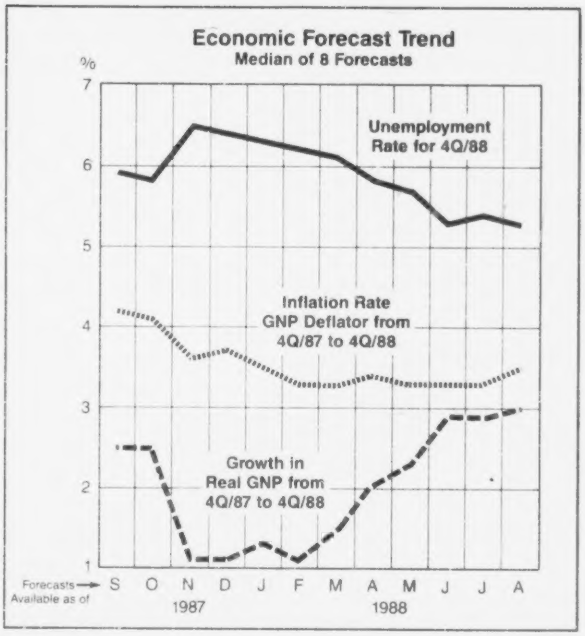


Despite the slump in homebuilding, construction employment is rising because nonresidential building continues to recover. Industrial building was 14.8% higher in June than three months earlier. The rise in office, commercial, and public building has been less pronounced.

PRODUCTION: Output is surging in response to rising consumer, business, and foreign demand. Total industrial output was 1.4% higher in June than three months earlier, despite continued weakness in defense- and space-related material. Gains in employment and hours worked in July suggest no change in the sharply rising demand for output.

Production will continue to rise briskly as new orders pile up. Total new orders for durable goods, except defense related, were 5.9% higher in June than three months earlier. Production increases to fill those orders may strain already high capacity-utilization rates, which may further flame inflationary fears.

INVENTORY: Industrial sales are rising faster than inventory. Total inventory, except cars at the retail level, was 1.5% higher in May than three months earlier, but sales were 3% higher. Thus, the Inventory-to-Sales ratio, fell by 1.5 percent. Given that strong selling pace, producers may step up production to replenish stocks. The fact that the ratio of new orders to shipments hasn't changed in recent months shows that production is going right out to buyers.

INFLATION: There are fears that strong production growth will result in enough new hiring to bid up the price of labor. However, average hourly pay in private industry is now rising at about a 5% annualized rate. The consensus of the **Economic Forecasts** is a rather modest uptick in inflation. The CPI is expected to rise by about 5% in the second half of 1988 and by not more than 5½% in 1989. That consensus view implies that hourly compensation may not rise by much more than 5½% in 1989.

The impact of the hot, dry weather on the nation's harvests is another major factor in the inflation outlook. Corn prices in July were 50% higher than three months earlier. Those increases are now passing through to the wholesale level. Prices for raw food at the wholesale level rose 11.7% in July, following an 8.7% rise in June. And those higher food prices will soon begin to show up at the retail level. Yet wholesale prices of raw material except food and energy fell by 6.7% in July. The raw commodity price index for industrial material declined in July. These data suggest the uptick in inflation will prove rather limited.

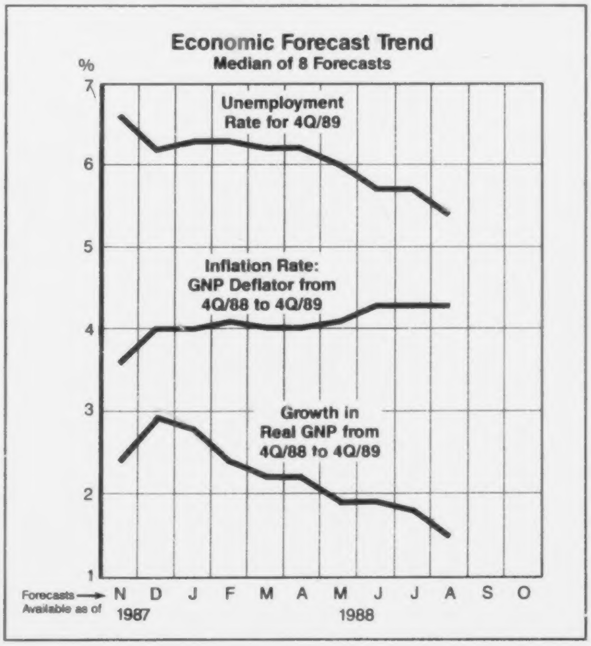
INTERNATIONAL MONITOR

Although consumer buying is rising modestly, and business investment at a somewhat faster clip, imports of manufactured goods were only 2.1% higher in May than three months earlier. Indeed, manufactured imports have risen by only 4% over the last 11 months. It remains to be seen whether the 8% rise in imports in June was more of an aberration in trend than a change.

In contrast, the lower dollar and moderate economic growth in a few of the U.S.'s major trading partners have helped to spur U.S. exports of manufactured goods by 15% over the last three months ending in May. Following that spurt, exports of manufactured goods, except aircraft and parts, were flat in June.

Not surprisingly, prices of imported goods have been rising. That's especially true for imports of semi-finished goods shipped to the United States for final assembly. Indeed, another cause for concern on the inflation front is that those higher costs will put upward pressure on the price of consumer goods and capital equipment. So, some of the good news on the trade front carries negative implications for the domestic economy.

Ken Goldstein
August 11, 1988

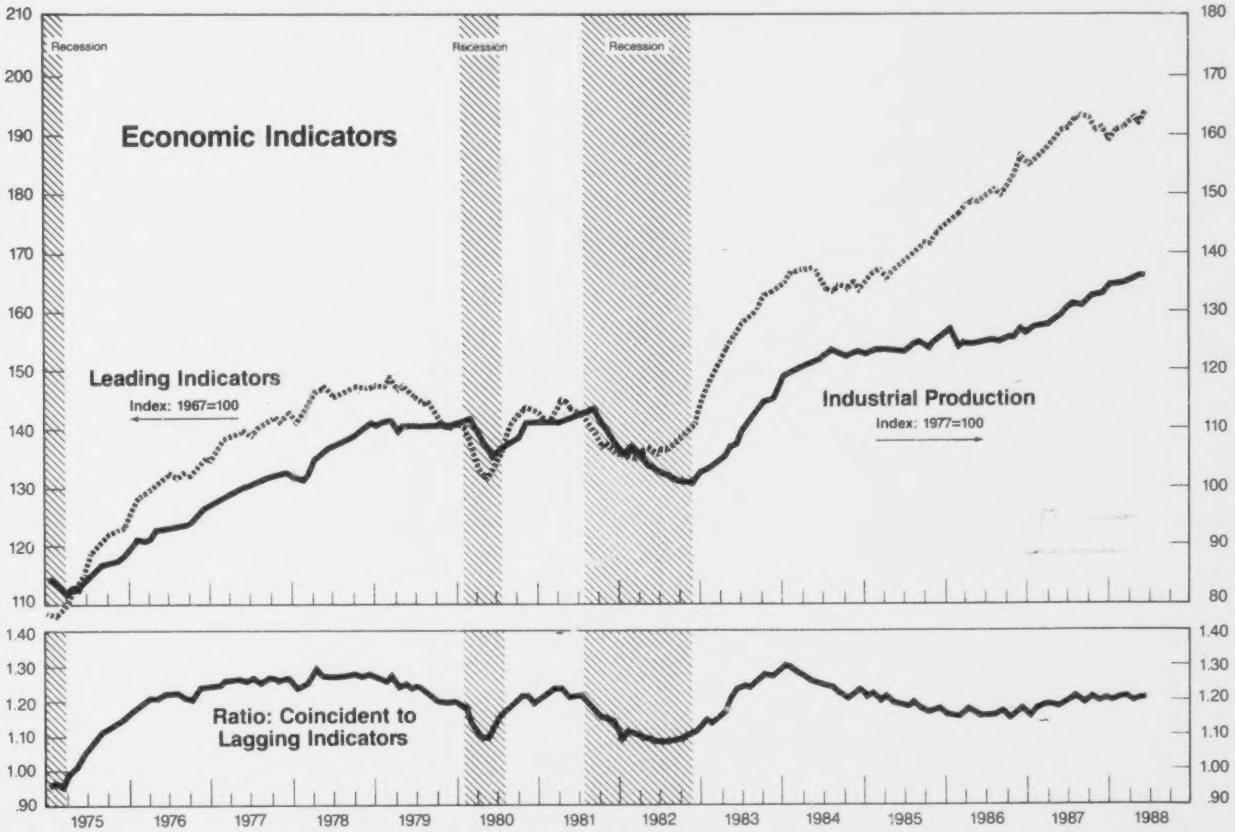


STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	June	X			0.8%	1.8%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	June	X			5.0%	10.6%
New orders, nondefense capital goods (deflated)	June	X			5.0%	15.3%
*New business formation	June		X		- 1.0%	2.8%
*Housing permits	June		X		1.2%	- 2.9%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	June		X		1.3%	2.2%
*Change in inventory, on hand & order (deflated)	May			X	-31.9%	-14.3%
Purchasing agents' buying policy	July			X	- 2.0%	0.0%
*Vendor performance, reported slower deliveries	June		X		1.0%	13.0%
Industrial raw materials prices	July	X			3.9%	8.7%
*Change in sensitive material prices	June	X			0.3%	- 1.0%
Sensitive Financial Flows						
*Money balance (M2 deflated)	June		X		0.5%	1.7%
Change in business loans	June			X	- 3.8%	13.5%
*Change in credit outstanding	May			X	- 4.6%	0.9%
Change in consumer installment debt	May			X	-31.4%	15.1%
Profitability						
Total corporate profits, after tax (deflated)	1st.Q	X			2.3%	8.0%
*Common stock prices	July		X		2.2%	-13.4%
Marginal Employment Adjustments						
*Average workweek, mfg.	July		X		- 0.1hr	0.1hr
*Initial unemployment claims (inverted)	June	X			3.9%	10.7%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.

*These twelve series make up the Composite Leading Index charted below.



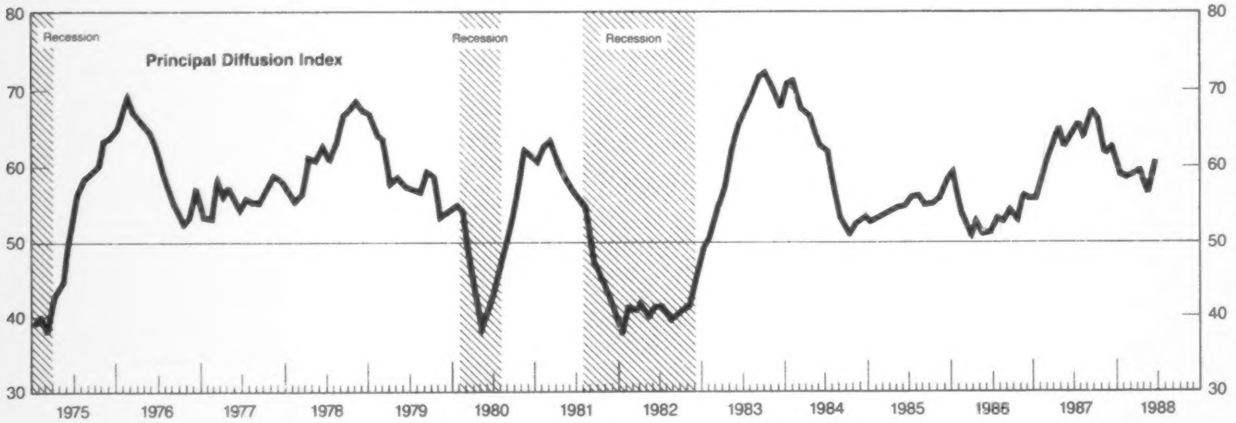
CONFERENCE BOARD DIFFUSION INDEXES

DIFFUSION INDEXES	1987 Jun.	1988 Mar.	1988 Apr.	1988 May	1988 Jun.(e)
Principal Diffusion Index	62.1r	58.3r	59.9r	56.1r	60.6
Auxillary Diffusion Index	53.9r	52.3r	55.2r	37.7r	64.5
Industrial Group	58.6r	59.7r	64.3r	56.2r	60.1
Nonindustrial Group	65.6	56.9r	55.5r	56.0r	61.0
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	70.1	62.4	67.5	62.0r	67.1
Labor	53.2	56.8	60.4	51.4r	56.9
Miscellaneous	54.8r	62.8r	69.2r	59.6	57.7
Nonindustrial Subgroups					
Prices	88.5	57.7	55.1	53.2	59.6
Consumer	71.4	70.1r	64.5r	59.8r	65.4
Building	42.3	48.1	48.7	49.4	57.1
Miscellaneous	60.3	49.1	51.3	58.5r	60.3

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

e-estimate r-revised

The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985 Aug.	1985 Nov.	1986 Feb.	1986 May	1986 Aug.	1986 Nov.	1987 Feb.	1987 May	1987 Aug.	1987 Nov.	1988 Feb.	1988 May
	Score (scale 0-100)											
Measure of Business Confidence	51	55	61	61	50	51	55	55	59	47	51	58
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	45	53	63	61	44	50	56	55	62	50	49	64
2. Expectations for Economy, Six Months Ahead	53	56	62	62	52	51	54	53	56	43	50	54
3. Expectations for Own Industry, Six Months Ahead	54	56	59	60	54	53	56	56	58	48	54	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

	1986		1987				1988	Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	III	IV	I	II	IIIr	IVr	Ip	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.203	22.097	21.441	32.257	29.561	35.909	32.034	31%	11%
Capital expenditures	22.452	23.299	20.801	25.933	27.381	29.820	30.279	11	21
Change in appropriations backlog*	-5.060	-10.990	-0.550	+5.460	-0.080	+3.510	+0.870		
Durable Goods									
New appropriations	10.807	10.807	9.746	16.515	17.208	20.245	15.124	55	3
Capital expenditures	12.186	12.915	11.124	14.006	13.970	16.037	16.496	17	22
Change in appropriations backlog*	-3.986	-4.140	-2.070	+2.310	+2.930	+3.810	-1.720		
Nondurable Goods									
New appropriations	10.152	11.290	11.695	15.742	12.353	15.664	16.910	24	18
Capital expenditures	10.266	10.384	9.677	11.927	13.411	13.783	13.783	6	21
Change in appropriations backlog*	-1.074	-6.853	+1.520	+3.160	-3.010	-0.300	+2.590		
ELECTRIC & GAS UTILITIES									
New appropriations	5.530	5.491	6.482	5.569	5.135r	6.094p			
Capital expenditures	7.535	6.080	7.622r	7.032r	7.728r	6.524p			
Change in appropriations backlog*	-2.110	-1.005	-0.810r	-1.590r	-2.830r	-0.680p			

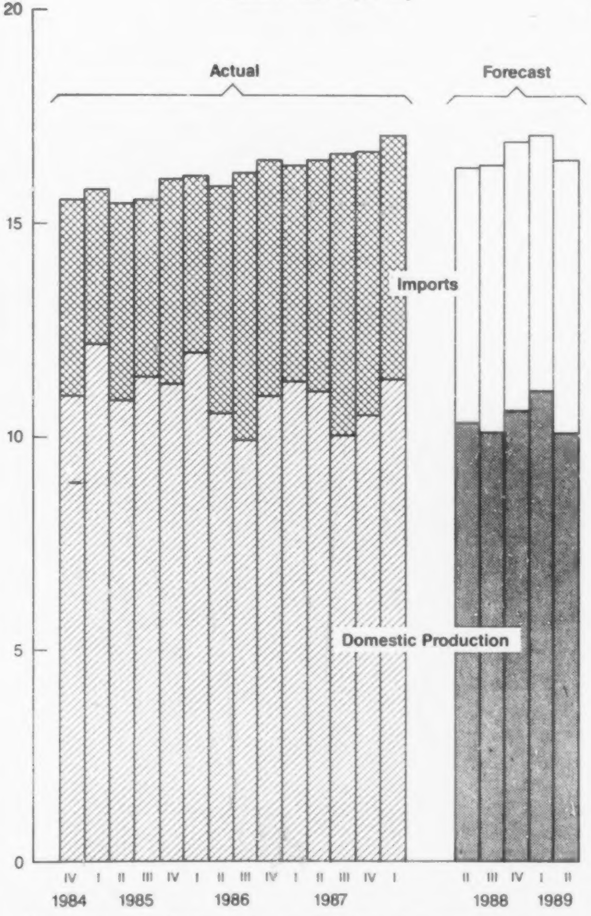
Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

r—revised p—preliminary

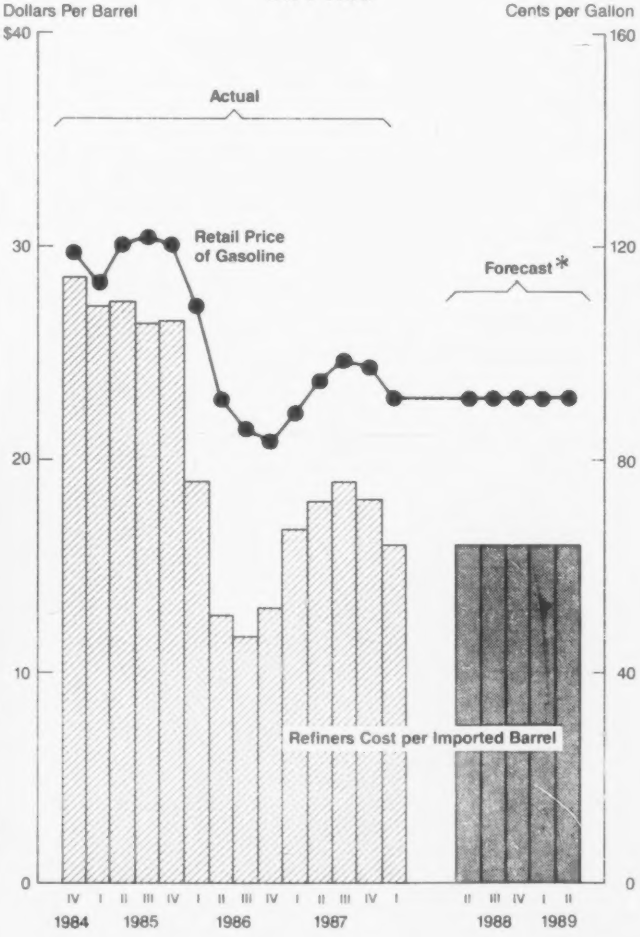
* Change in Backlog = New Appropriations - (Expenditures + Cancellations and Other Adjustments).

Oil Supply

Millions of Barrels per Day



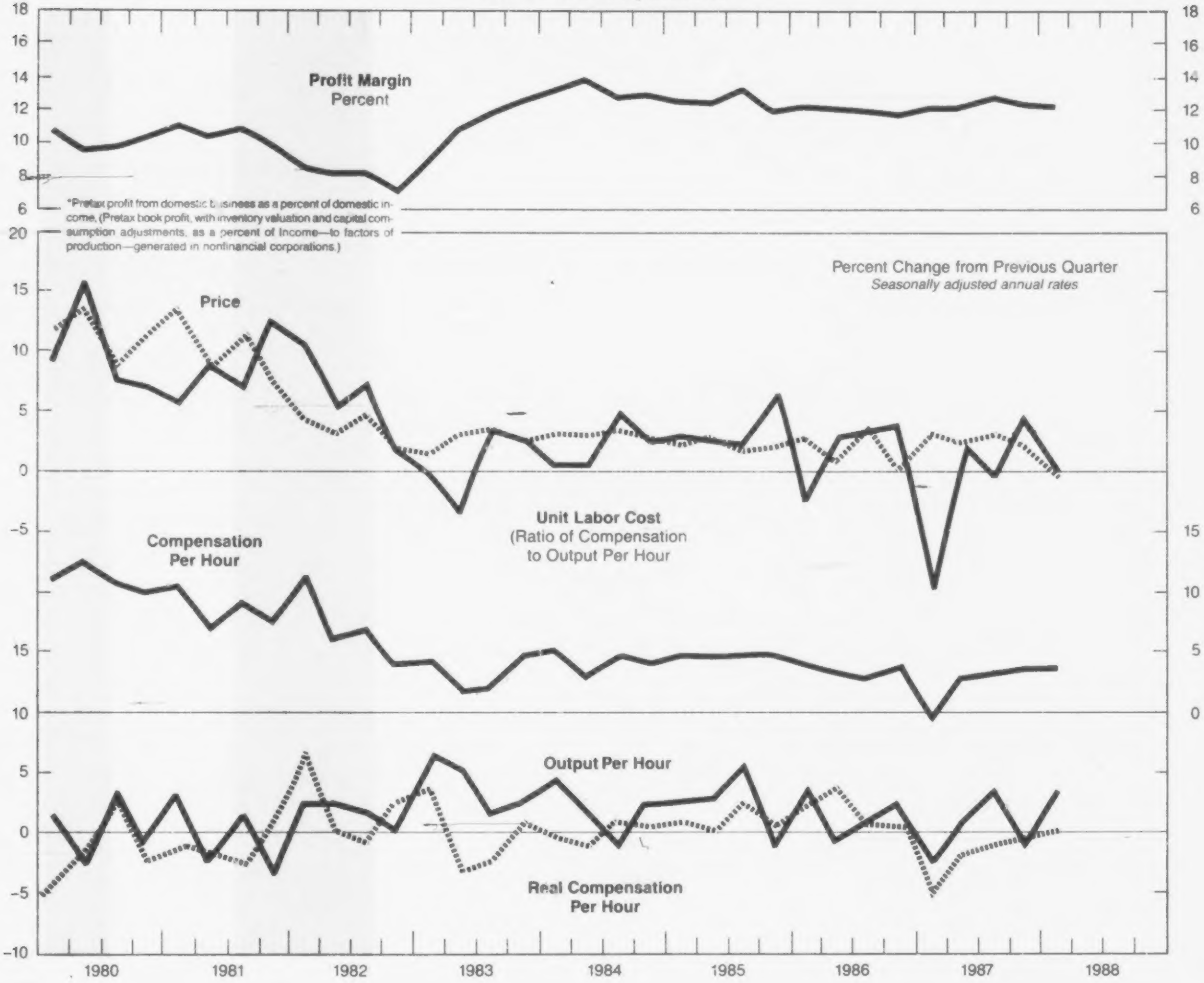
Oil Price



* Source of Forecast is The Energy Information Administration; Department of Energy.

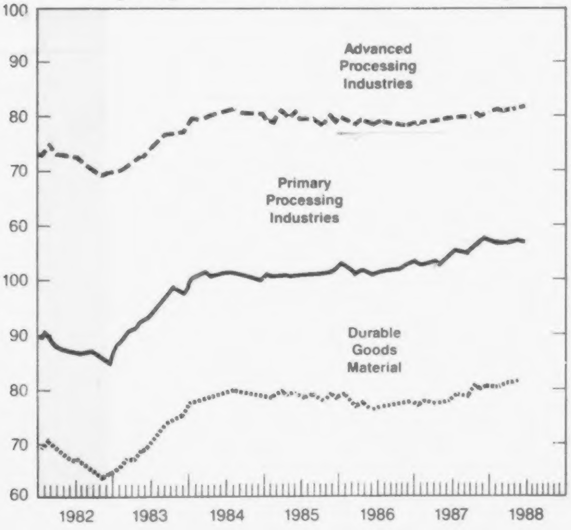
Key Determinants of Profit Margin

Nonfinancial Corporations

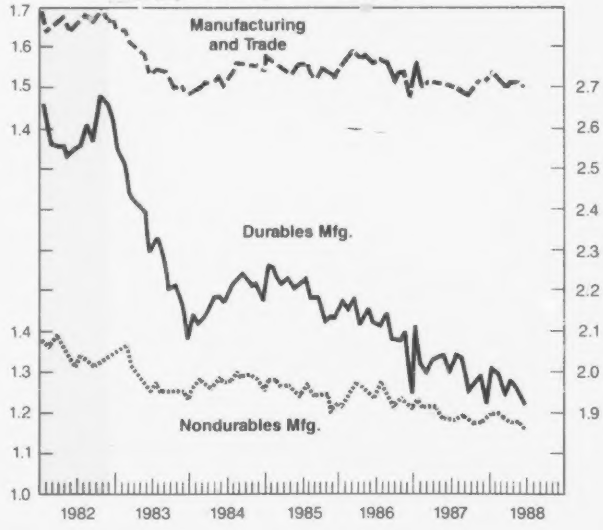


*Pretax profit from domestic business as a percent of domestic income. (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



Inventory—Sales Ratios



ECONOMIC FORECASTS

			U.C.L.A.[1] Business Forecasting Project		Merrill Lynch[1] Economics Inc.		E.I. duPont[1] de Nemours & Co.		Georgia State University[1]	
Date of Forecast			*July, 1988*		*July, 1988*		*July, 1988*		*July, 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**II**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**
Forecast	1988	III	4891.4	7.2	4896.6	7.7	4888.5	7.0	4886.6	6.8
		IV	4979.0	7.4	4983.1	7.3	4969.3	6.8	4960.9	6.2
	1989	I	5083.1	8.6	5064.7	6.7	5039.8	5.8	5036.7	6.3
		II	5157.0	5.9	5140.2	6.1	5116.0	6.2	5106.1	5.6
		III	5214.6	4.5	5188.5	3.8	5193.7	6.2	5173.2	5.4
		IV	5270.8	4.4	5229.9	3.2	5278.7	6.7	5231.3	4.6
	1990	I	5333.8	4.9			5378.1	7.7		
		II	5384.7	3.9			5485.2	8.2		
		III	5438.8	4.1			5596.0	8.3		
	1988	Annual	4850.5	7.2	4852.8	7.2	4847.3	7.1	4844.7	7.0
	1989	Annual	5181.4	6.8	5155.8	6.2	5157.1	6.4	5136.8	6.0
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**II**	**$3986.3**	**3.1%**	**$3986.3**	**3.1**	**$3986.3**	**3.1%**	**$3986.3**	**3.1%**
Forecast	1988	III	4020.5	3.5	4017.8	3.2	4007.0	2.1	4012.0	2.6
		IV	4055.0	3.5	4045.4	2.8	4027.0	2.0	4026.7	1.5
	1989	I	4089.1	3.4	4066.6	2.1	4048.0	2.1	4042.3	1.6
		II	4104.0	1.5	4080.5	1.4	4070.0	2.2	4055.7	1.3
		III	4105.7	0.2	4077.3	–0.3	4096.0	2.6	4068.8	0.8
		IV	4105.1	–0.1	4072.5	–0.5	4124.0	2.8	4067.9	0.4
	1990	I	4102.1	–0.3			4153.0	2.8		
		II	4096.1	–0.6			4184.0	3.0		
		III	4095.7	0.0			4217.0	3.2		
	1988	Annual	4004.5	4.1	4001.4	4.0	3994.1	3.8	3995.3	3.9
	1989	Annual	4101.0	2.4	4074.2	1.8	4084.5	2.3	4057.4	1.6
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**II**	**120.6**	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**
Forecast		III	121.7	3.6	121.9	4.3	122.0	4.8	121.8	4.1
		IV	122.8	3.8	123.2	4.4	123.4	4.7	123.2	4.7
	1989	I	124.3	5.1	124.5	4.5	124.5	3.6	124.6	4.6
		II	125.7	4.4	126.0	4.7	125.7	3.9	125.9	4.2
		III	127.0	4.4	127.3	4.1	126.8	3.5	127.3	4.5
		IV	128.4	4.4	128.4	3.7	128.0	3.8	128.6	4.1
	1990	I	130.0	5.2			129.5	4.8		
		II	131.5	4.5			131.1	5.0		
		III	132.8	4.1			132.7	5.0		
	1988	Annual	121.1	2.9	121.3	3.1	121.4	3.1	121.3	3.1
	1989	Annual	126.3	4.3	126.5	4.4	126.3	4.0	126.6	4.4
Unemployment Rate										
Actual	**1988**	**II**		**5.5%**		**5.5%**		**5.5%**		**5.6%**
Forecast	1988	III		5.3		5.3		5.3		5.3
		IV		5.2		5.1		5.3		5.1
	1989	I		5.1		5.1		5.4		5.0
		II		5.1		5.2		5.4		5.0
		III		5.2		5.5		5.4		5.2
		IV		5.3		5.9		5.4		5.4
	1990	I		5.6				5.3		
		II		5.8				5.3		
		III		6.1				5.3		
	1988	Annual		5.4		5.4		5.5		5.4
	1989	Annual		5.2		5.4		5.4		5.2

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on revised (second revision) first quarter data.

ECONOMIC FORECASTS (continued)

The Conference Board[1]		Laurence H. Meyer Associates, Inc.[1]		Data Resources Inc.[1]		Wharton E.F.A. Inc.[1]				
July, 1988		*July, 1988*		*July, 1988*		*July, 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4806.9	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**$4806.9**	**7.2%**	**II**	**1988**	**Actual**
4893.0	7.4	4895.3	7.6	4886.3	6.8	4887.8	6.9	III	1988	Forecast
4975.0	6.9	4977.2	6.9	4953.4	5.6	4959.9	6.0	IV		
5051.0	6.3	5058.2	6.7	5055.5	8.5	5046.5	7.2	I	1989	
5090.0	3.1	5136.8	6.4	5129.4	6.0	5116.3	5.6	II		
5121.0	2.5	5202.5	5.2	5197.6	5.4	5188.4	5.8	III		
5181.0	4.8	5269.9	5.3	5272.9	5.9	5258.5	5.5	IV		
		5358.3	6.9	5362.1	6.9	5331.4	5.7	I	1990	
		5439.1	6.2	5448.4	6.6	5431.4	7.7	II		
		5524.4	6.4	5545.2	7.3	5542.7	8.5	III		
4849.9	7.1	4851.0	7.2	4842.8	7.0	4844.8	7.0	Annual	1988	
5110.8	5.4	5166.9	6.5	5163.9	6.6	5152.4	6.4	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3986.3	**3.1%**	**$3986.3**	**3.1%**	**$3986.3**	**3.1%**	**$3986.3**	**3.1%**	**II**	**1988**	**Actual**
4020.5	3.5	4018.2	3.2	4016.9	3.1	4011.8	2.6	III	1988	Forecast
4044.7	2.4	4046.1	2.8	4038.4	2.2	4034.8	2.3	IV		
4060.3	1.6	4067.4	2.1	4075.0	3.7	4056.9	2.2	I	1989	
4046.1	–1.4	4089.4	2.2	4092.0	1.7	4070.7	1.4	II		
4029.1	–1.7	4102.5	1.3	4105.1	1.3	4088.3	1.7	III		
4035.0	0.6	4120.1	1.7	4122.3	1.7	4105.4	1.7	IV		
		4141.8	2.1	4141.1	1.8	4111.3	0.6	I	1990	
		4163.5	2.1	4162.2	2.1	4142.6	3.1	II		
		4188.3	2.4	4190.7	2.8	4181.2	3.8	III		
4001.9	4.0	4001.7	4.0	3999.4	4.0	3997.3	3.9	Annual	1988	
4042.6	1.0	4094.9	2.3	4098.6	2.5	4080.3	2.1	Annual	1989	
								Gross National Product deflator Index, 1982 = 100		
120.6	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**	**120.6**	**4.0%**	**II**	**1988**	**Actual**
121.7	3.8	121.8	4.2	121.6	3.6	121.8	4.2	III	1988	Forecast
123.0	4.3	123.0	3.9	122.7	3.4	122.9	3.6	IV		
124.4	4.6	124.4	4.5	124.1	4.7	124.4	4.9	I	1989	
125.8	4.6	125.6	4.1	125.4	4.2	125.7	4.2	II		
127.1	4.2	126.8	3.9	126.6	4.1	126.9	3.9	III		
128.4	4.2	127.9	3.5	127.9	4.2	128.1	3.8	IV		
		129.4	4.7	129.5	5.0	129.7	5.1	I	1990	
		130.6	4.0	130.9	4.4	131.1	4.5	II		
		131.9	3.9	132.3	4.4	132.6	4.5	III		
121.2	3.0	121.2	3.0	121.1	2.9	121.2	3.0	Annual	1988	
126.4	4.3	126.2	4.1	126.0	4.1	126.3	4.2	Annual	1989	
								Unemployment Rate		
	5.4%		**5.5%**		**5.5%**		**5.5%**	**II**	**1988**	**Actual**
	5.4		5.3		5.3		5.4	III	1988	Forecast
	5.4		5.1		5.3		5.3	IV		
	5.5		5.1		5.2		5.5	I	1989	
	5.8		5.1		5.2		5.7	II		
	6.1		5.2		5.3		5.9	III		
	6.1		5.4		5.3		6.1	IV		
			5.4		5.4		6.4	I	1990	
			5.5		5.5		6.7	II		
			5.5		5.5		6.6	III		
	5.5		5.4		5.5		5.5	Annual	1988	
	5.9		5.2		5.2		5.8	Annual	1989	

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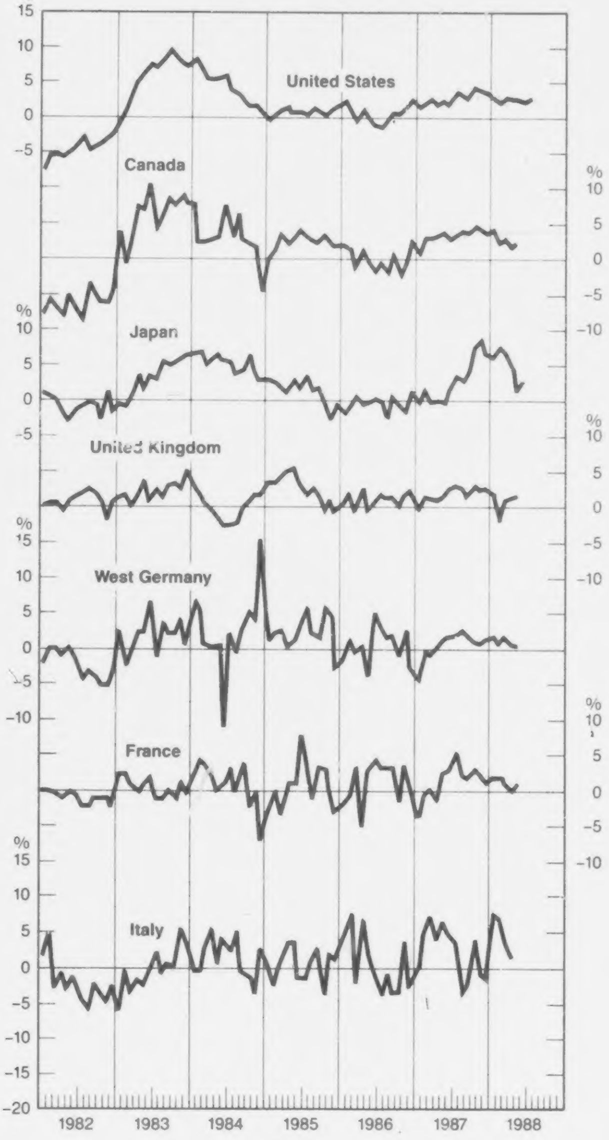
Selected International Comparisons

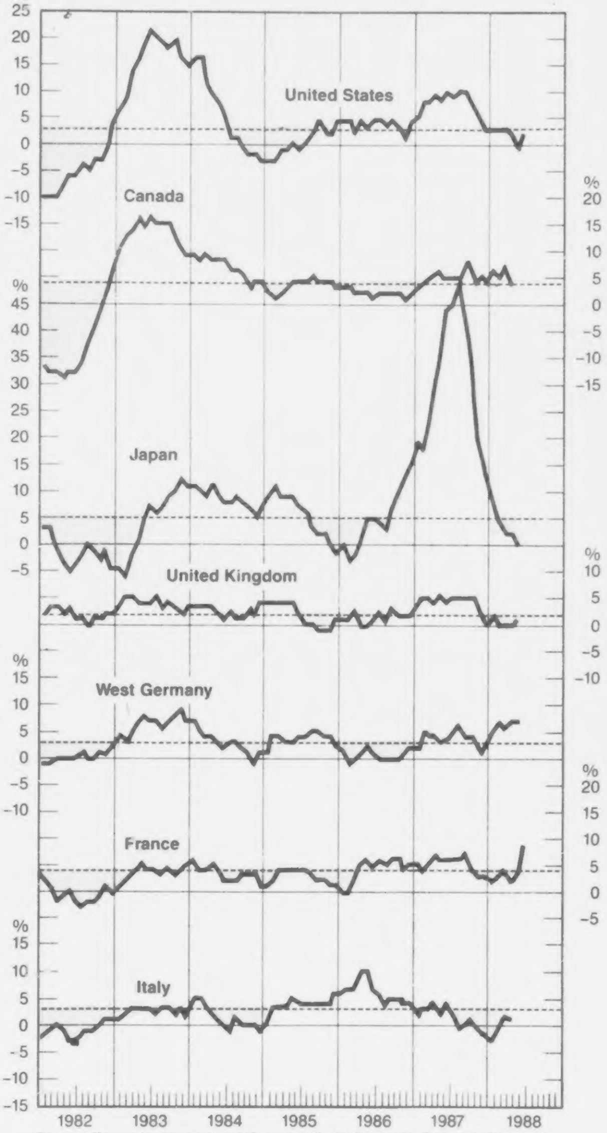
Industrial Production Indexes

Change Over Six Month Span



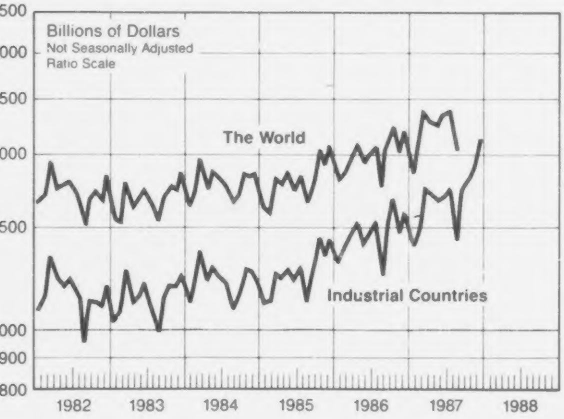
Leading Business Cycle Indexes

Change From Preceding Year

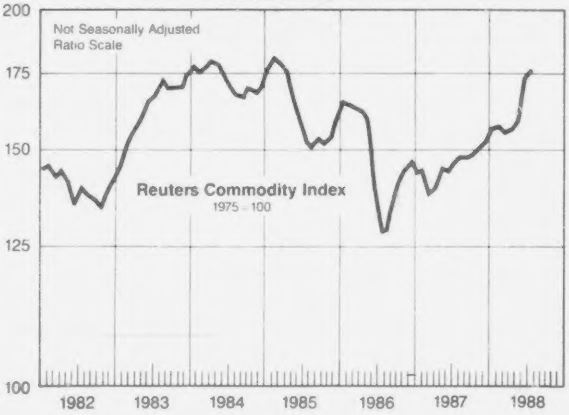


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports

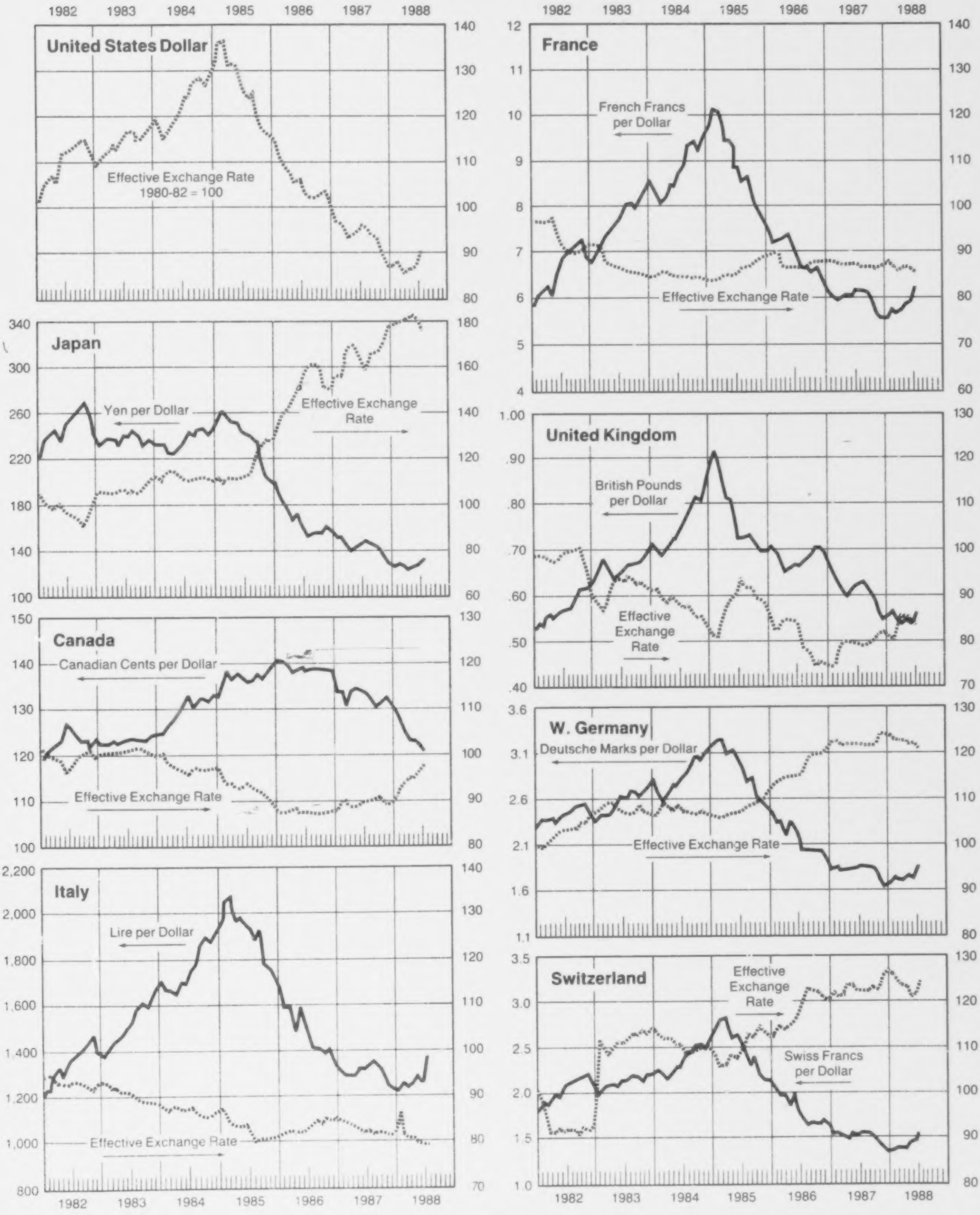


Raw Materials Prices



Foreign Exchange Rates

Indexes: 1980-82 = 100



Note: Nominal Effective Exchange Rates. Index numbers 1980-82 = 100. Each index shows a currency's trade-using averages weighted appreciation measured against fifteen other major currencies of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures.

Source: Morgan Guaranty Trust Co.

PERSPECTIVE ON THE FEDERAL BUDGET
(Billions of Current Dollars)

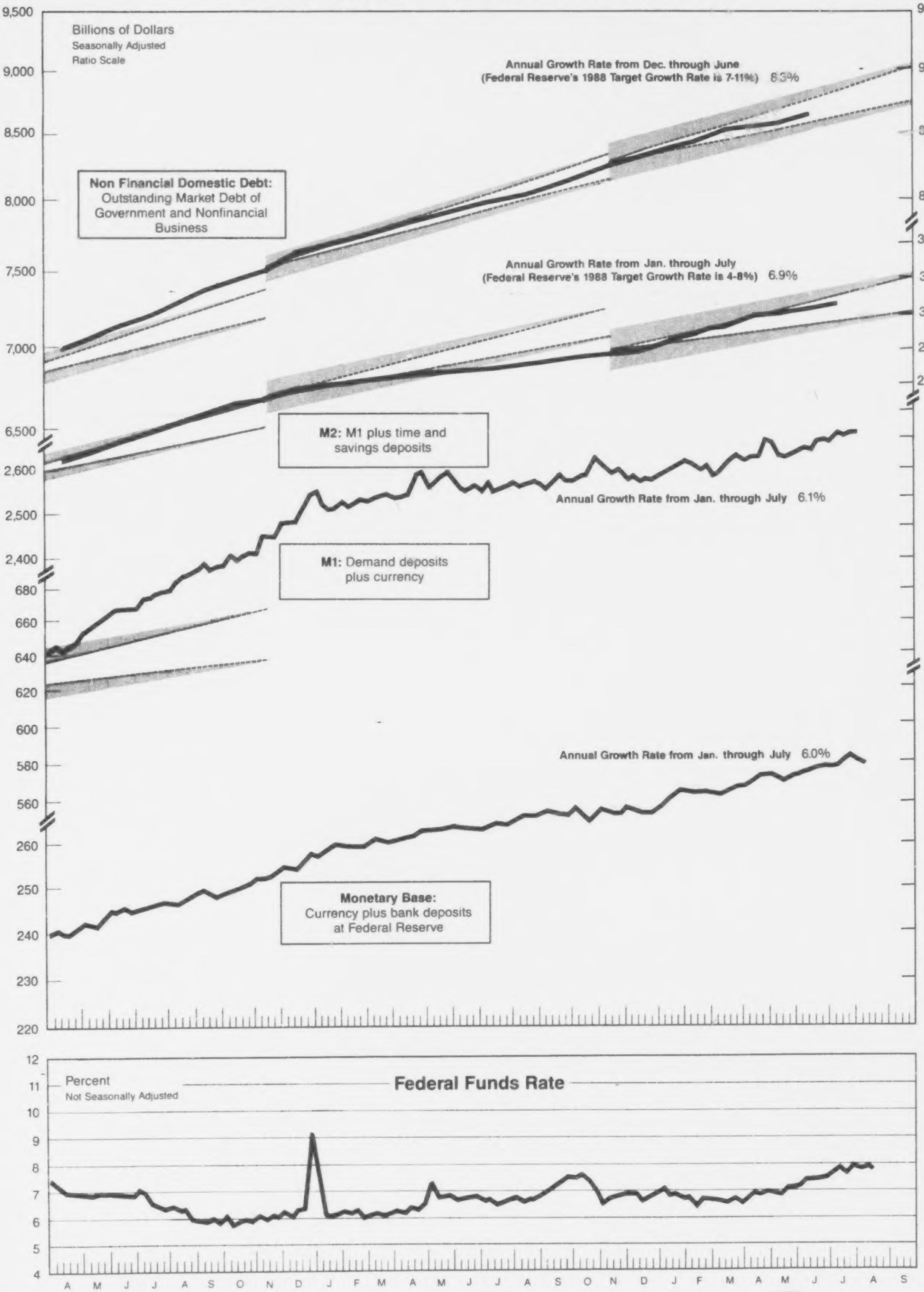
	Fiscal 1987	Fiscal 1988		Fiscal 1989	
	Actual	Administration Estimate	Congress's Estimate*	Administration Estimate	Congress's Estimate*
	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)	(2/18/88)
Receipts	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Outlays	**1,004.6**	**1,055.9**	**1,094.6**	**1,094.5**	**1,099.7**
Deficit	**– 150.4**	**– 146.7**	**– 129.4**	**– 129.8**	**– 135.3**
Receipts by source	**$ 854.2**	**$ 909.2**	**$ 965.2**	**$ 964.7**	**$ 964.4**
Individual income	392.6	393.4	412.4	412.4	412.3
Social security	303.3	331.5	354.6	117.7	354.6
Corporate income	83.9	105.6	117.7	354.6	117.5
Other receipts	74.4	78.7	80.5	80.0	80.0
Outlays by function	**$1,004.6**	**$1,055.9**	**$1,094.6**	**$1,094.5**	**$1,099.7**
Social security	282.5	298.6	319.1	317.8	320.4
National defense	282.0	285.4	294.5	294.0	294.0
Income security	123.2	129.6	137.5	135.6	138.1
Health	40.0	44.5	48.4	47.8	48.9
Education & manpower	29.7	33.7	34.5	37.4	35.4
Veterans benefits	26.8	27.7	28.0	29.6	28.4
Transportation	26.2	27.2	27.1	27.3	27.9
Agriculture	27.4	22.4	21.0	21.7	21.6
Natural resources	13.4	15.1	16.2	16.0	16.3
International affairs	11.6	9.9	16.2	13.3	16.2
General science	9.2	10.9	13.0	13.1	12.6
Justice	7.5	9.0	9.8	9.9	8.7
General government	7.6	8.8	9.7	9.5	9.4
Commerce, housing credit	6.2	12.4	7.2	7.9	9.3
Community development	5.1	6.3	6.0	5.9	6.6
Energy	4.1	2.7	3.4	3.1	4.4
Revenue sharing					
Interest	138.6	147.9	152.0	151.8	152.0
Allowances					
Offsetting receipts	– 36.5	– 36.2	– 49.2	– 47.2	– 50.5

ECONOMIC ASSUMPTIONS OF THE BUDGET

	Fiscal 1987 Actual	Fiscal 1988 Administration Estimate	Fiscal 1988 Congress's Estimate*	Fiscal 1989 Administration Estimate	Fiscal 1989 Congress's Estimate*
GNP					
Current Dollar	**$4,486.0**	**$4,779.0**	**$4,746.0**	**$5,113.0**	**$5,069.0**
Constant (1982) Dollar	**$3,820.0**	**$3,932.0**	**$3,908.0**	**$4,054.0**	**$4,010.0**
Percent change in					
Current dollar	5.9%	6.5%	5.8%	7.0%	6.8%
Constant (1982) dollar	2.9%	2.9%	2.3%	3.1%	2.6%
Implicit price deflator	3.3%	3.9%	3.4%	3.7%	4.1%
Consumer price index	4.6%	4.3%	4.5%	3.9%	4.9%
91-Day T bill rate	5.8%	5.3%	6.2%	5.2%	6.7%
Unemployment rate	5.8%	5.8%	6.2%	5.5%	6.1%

*Congressional Budget Office

Money Supply and Monetary Growth Targets



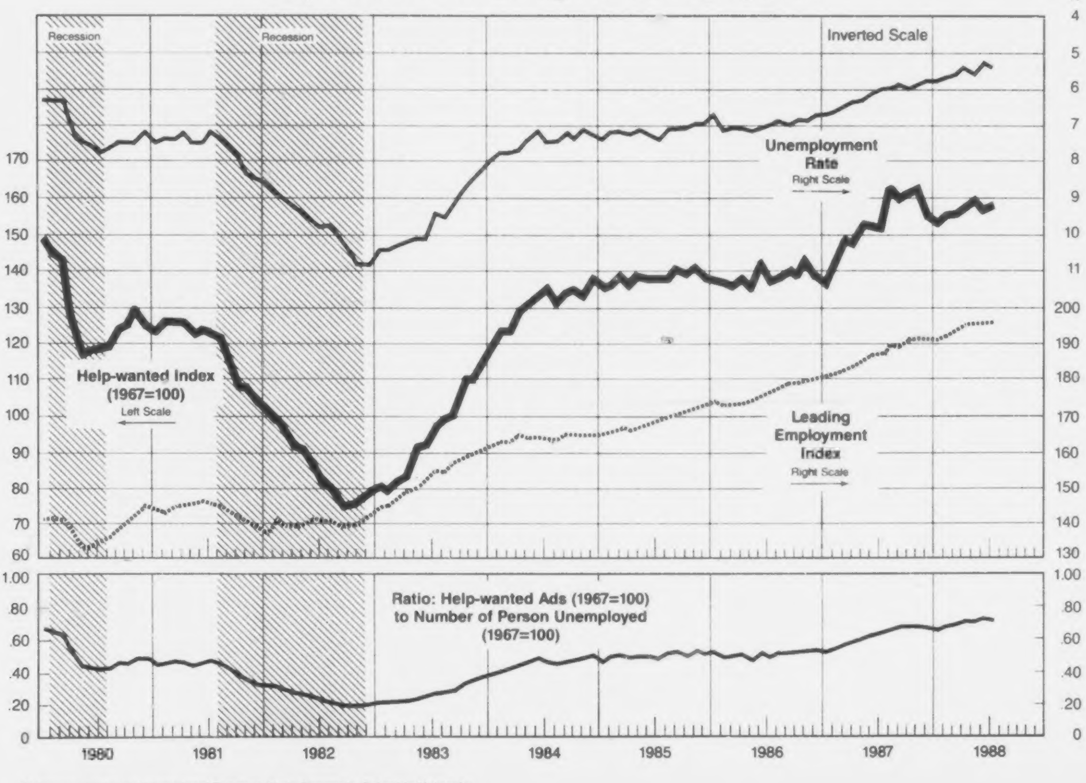
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988 June	1988 May	1988 Apr.	1987 June
National Index	157	160	157	152
New England	152	166	161	186
Boston	141	161	151	182
Hartford	175	183	175	198
Providence	168	168	183	186
Middle Atlantic	88	93	87	88
Albany	197	216	223	228
Allentown	408	458	360	357
New York	60	62	60	66
Philadelphia	78	81	76	76
Pittsburgh	97	102	98	87
Rochester	107	107	104	91
Syracuse	N.A.	162	159	143
East North Central	110	111r	108	104r
Chicago	117	114	115	119
Cincinnati	161	173	173	144
Cleveland	76	80	72	68
Columbus	188	198	174	182
Dayton	90	97	95	76
Detroit	58	60	55	56
Gary	224	204r	190	174
Indianapolis	127	134	131	118
Milwaukee	99	99	106	86
Toledo	146	146	138	123
West North Central	108	103	102	92
Kansas City	N.A.	162	152	132
Minneapolis	93	76	88	85
Omaha	161	173	162	137
St. Louis	71	75	71	63
South Atlantic	211	220	217	205r
Atlanta	271	289	287	264
Baltimore	236	240	241	212
Charlotte	194	201	207	196
Jacksonville	233	238	240	249r
Miami	170	174	176	121
Richmond	151	160	123	161
Washington, D.C.	N.A.	199	197	207
East South Central	185	191	183	174r
Birmingham	187	203	196	151r
Knoxville	305	323	312	266
Louisville	102	103	110	94
Memphis	141	149	156	138
Nashville	261	256	215	280
West South Central	189	180	188	161
Dallas	171	162	161	154
Houston	275	253	287	224
New Orleans	124	128	128	108
Oklahoma City	125	129	118	108
San Antonio	150	144	137	139
Tulsa	144	150	137	126
Mountain	299	320	310	307
Denver	197	217	199	198
Phoenix	377	422	430	416
Salt Lake City	386	374	357	365
Pacific	248	251	248	242
Los Angeles	169	176	171	171
Sacramento	494	485	470	460
San Bernadino	286	N.A.	221	291
San Diego	597	602r	614	571
San Francisco	242	254	256	239
Seattle	254	255	249	223
Percentage of papers with rising volume	25	71r	61	39r
Unemployment rate	5.3	5.6	5.4	6.1

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



* Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7r	113.0p					

Expectations Index

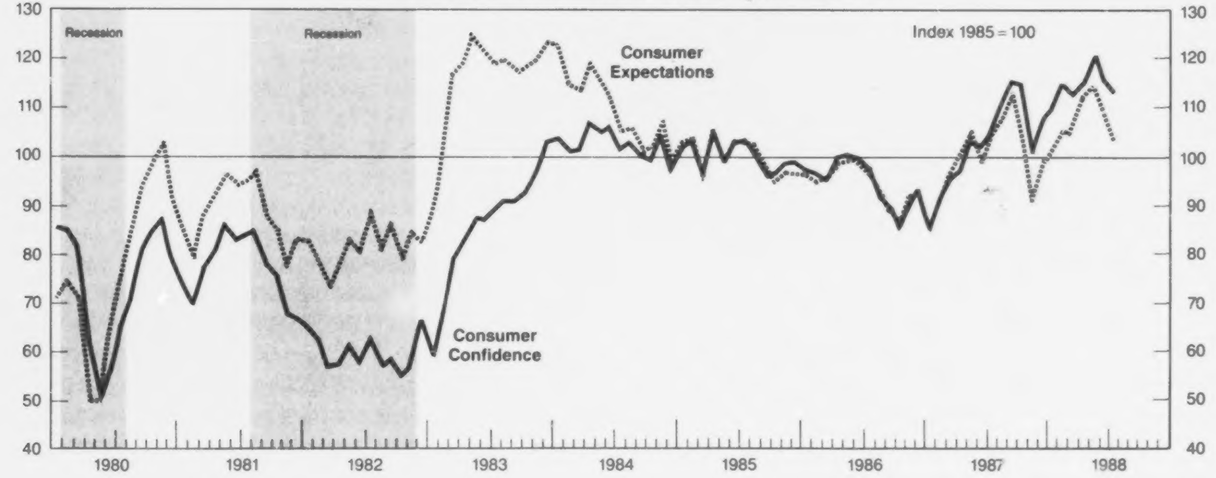
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6r	103.5p					

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CBDB

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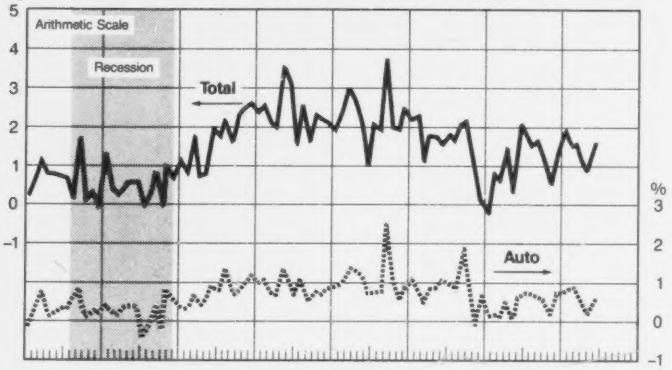
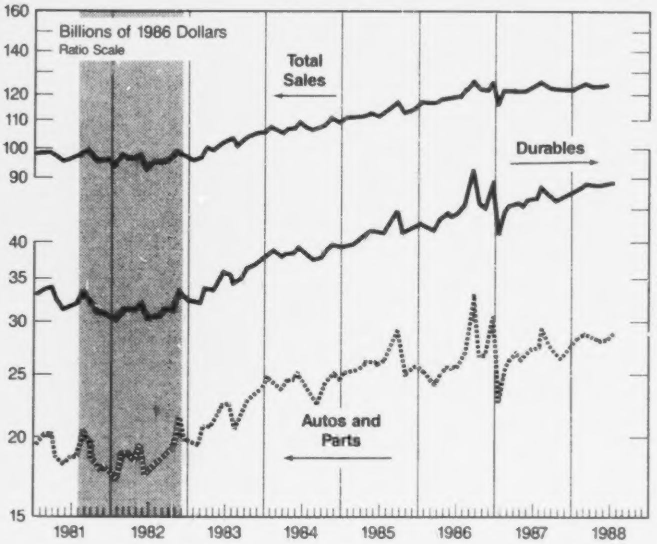
Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



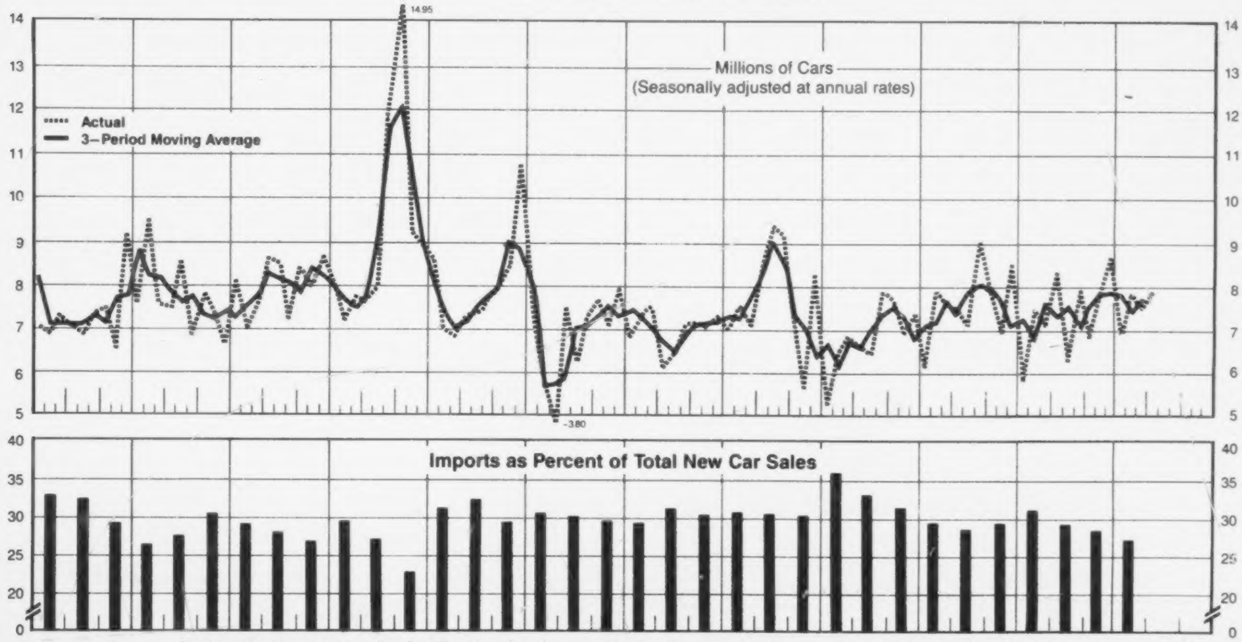
CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	7.82
	21-31	7.38	7.77	7.11	7.46
August:	1-10	7.11	7.63	8.55	7.93
	11-20	8.06	7.95	9.32	
	21-31	13.41	11.80	9.15	
September:	1-10	10.93	14.95	7.20	
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.8[illegible]	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales



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STATISTICAL BULLETIN

17179GD00001 CCC0 000
Statistical Reference Index
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Highlights

- CONSUMER DEMAND GROWTH MAY BE SLOWING, WITH NO RECOVERY FORESEEN IN HOME & CAR SALES, AND CONSUMER OPTIMISM STARTING TO WANE
- LABOR REPORTS SHOW SOME MODERATING TRENDS
- INDUSTRIAL OUTPUT GROWTH REMAINS STRONG, AS INVESTMENT RISES
- EXPORT GROWTH IS FALTERING
- ON THE INFLATION WATCH: FOOD PRICES HAVE JUMPED BUT NOT WAGE OR INDUSTRIAL COMMODITIES, AND ENERGY PRICES HAVE DECLINED.
- OUTLOOK • MODERATE GNP GROWTH IN THE FOURTH QUARTER OF 1988, AFTER A TORRID THIRD-QUARTER PERFORMANCE

Volume 21, No. 9, September, 1988

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The Conference Board

THE CONFERENCE BOARD'S STATISTICAL BULLETIN COMMENTARY

OVERVIEW: Strong U.S. economic growth in the second and third quarters may give way to a more moderate performance in the fourth quarter of this year. The median of the **Economic Forecasts** is for annualized growth in real GNP of 3.9%, seasonally adjusted, in the third quarter. The pace of activity will then moderate closer to 3% in the fourth quarter. The most important offsetting factor is business investment, which remains a bright spot on the economic horizon. Rapid export growth seems to have abated, at least temporarily. And consumer demand growth appears to be weakening. This cooling-off in demand, both at home and abroad, is likely to slow the current rapid pace of industrial output.

Recent hikes in interest rates and slower money supply growth, both in response, in part, to heighten inflationary fears, will tend to curb economic growth, especially in interest-sensitive areas like home and car buying. Business investment will be far less affected, as a higher than usual portion of spending on plant and equipment is coming out of retained earnings and depreciation allowances. Somewhat slower economic growth may limit upward pressure on prices. It may also act to further depress imports and thereby help to reduce the trade deficit. An improved trade balance and higher domestic interest rates could lead to a stronger dollar, which together with slower growth could set the stage for some interest rate easing. That scenario is also tied to improvement in the budget deficit, however. As of right now, the **Economic Forecasts** call for slower economic growth in 1989.

DOMESTIC MARKET MONITOR

For months, the **Economic Forecasts** have been indicating that the labor market would not sustain its rapid pace. Thus, the report of slower employment growth and of fewer hours worked in August comes as no surprise. Of course one month doesn't make a trend, but the Economic Forecasts continue to reflect no change in the unemployment rate for the rest of the year. Moreover, labor demand remains flat. The Conference Board's **Help-wanted Index**, a measure of labor demand, was no higher in July than it was last November. And early returns to the August survey show no change from July.

A cooling off in the labor market would tend to diminish inflationary prospects by reducing upward pressure on wages, and by dampening the rise in consumer spending. The average wage rate in private industry was unchanged in August. Moreover, some of the new jobs in recent months have been in relatively low-paying positions, such as household and protective services, and have gone to teens and black adults. That suggests that hourly wage rates are not being bid up in a tight market. But the lack of wage growth may spell trouble for consumer spending growth.

INCOME: So far this year, income growth has been fairly strong, as a result of some rise in hourly pay and of increases in the number of wage earners. Wages in commodity-producing industry were 2.2% higher in July than three months earlier. Wages in the "other industry" category were 2.5% higher. The brisk pace of wage income growth is likely to have cooled in August, however, because of slower job growth and no rise in hourly pay. That, in turn, is likely to constrain the rise in consumer spending. The impact on domestic production will depend on the extent to which consumer spending on imports slows.

Nonwage income growth has already faltered. Overall, non-wage income was only 1.1% higher in July than three months earlier. And much of that increase reflects a pick up in interest income.

If consumer income growth does weaken, households are unlikely to borrow to maintain spending growth. Consumers have already demonstrated a reluctance to step up borrowing. The ratio of **Consumer Installment Debt Expansion to Personal Income** has been running below 1986 levels and now the cost of borrowing is rising.

There is some evidence that the high level of consumer confidence is beginning to weaken. The Conference Board's **Consumer Confidence Index** stood at 119.2 (1985 = 100) in August, compared to 120.2 in May. But the Expectations Component stood at 109 in August, compared to 114 in May. That suggests that consumers are beginning to anticipate some loss of momentum in job openings and pay increases over the next six months—an expectation shared with the **Economic Forecasts**.

SPENDING: There is some indication that consumer demand has already begun to slip. To be sure, total retail sales, except autos, were 1.7% higher in July than three months earlier. But durable-goods' sales, except autos, were up by only 0.3 percent.

New domestic **Automobile Sales** were no higher in August than in June. That's actually good news since higher interest rates were expected to have a negative impact on sales. In any event, this model year is not closing on a strong note and sales for the next model year may not even match this year's lackluster pace. In fact, declining income growth and falling consumer optimism, together with rising interest rates, may result in a much slower sales pace.

CONSTRUCTION: Through much of the last 12 months, home sales were substantially weaker than car sales. But at the moment, both are more flat than declining. New single-family home sales were no higher in July

Ken Goldstein, Editor

STATISTICAL BULLETIN (ISSN 0010-5554), published monthly by The Conference Board, Inc., 845 Third Avenue, New York, N.Y. 10022. Printed in New York, N.Y. Second-class postage paid at New York, N.Y. POSTMASTER: Send address changes to The Conference Board, 845 Third Avenue, New York, N.Y. 10022

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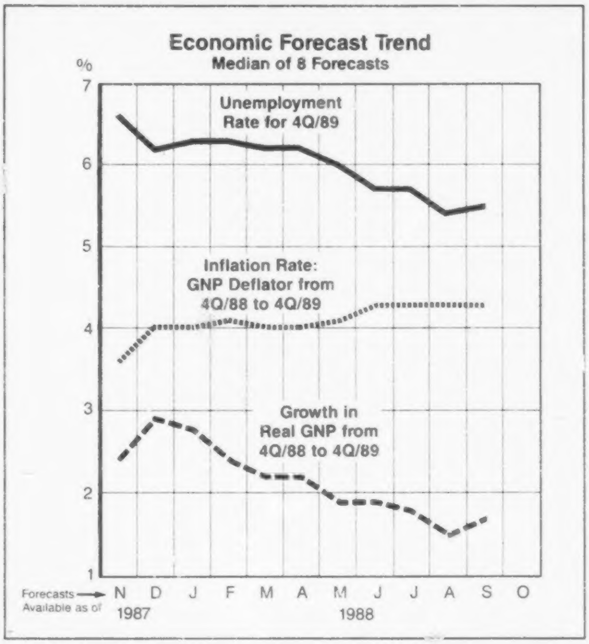


than three months earlier. And hikes in mortgage rates, as well as steadily rising home prices, are likely to keep home sales soft in the coming months. Indeed, construction data indicate that homebuilders are not anticipating renewed demand. Single-unit housing starts were 1.2% lower in July than three months earlier. Rental unit construction was much weaker.

Nonresidential construction was marginally higher in July than three months earlier, largely because office and public building rose; other nonresidential construction was lower. Employment and hours worked in construction rose modestly in August, suggesting no major change in trend.

PRODUCTION: Rising business investment and exports are resulting in strong output gains. Total industrial production was 1.7% higher in July than three months earlier, and capacity utilization rates rose sharply. The drop in hours worked in August suggests that total output fell that month. While the decline may turn out to be a one-shot occurrence, there is nevertheless some concern that the rising trend in output may be moderating.

The slackening in production growth is likely to be quite gradual. Total new orders for durable goods, except defense related, were 2% higher in July than three months earlier. That's a little slower than the gain in prior months, but the ratio of new filled orders to shipments has been rising. That suggests producers can work off unfilled orders for a time, even as the flow of new orders weakens.

INVENTORY: Another reason why any slowing in production may be gradual is that producers have been somewhat cautious about building inventory. Total inventory, except cars at the retail level, was only 1.6% higher in June than three months earlier, but industrial sales were 2.5% higher. Thus, the Inventory-to-Sales ratio edged down over those months. If producers were sure that the sales pace could be maintained, some attempt would have been made to maintain the Inventory-to-Sales ratio. The falling ratio suggests that producers are wary of stepping up production for inventory in case the sales pace should falter.

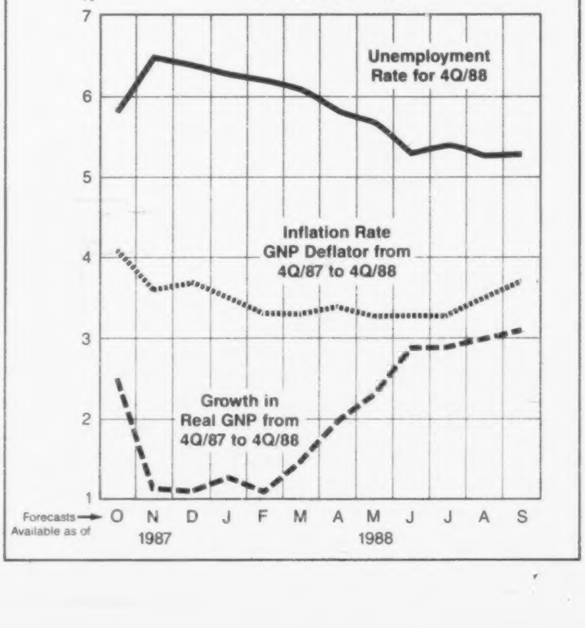
INFLATION: If inflation starts to shoot up, it will first show up in higher hourly wage rates and commodity and agricultural prices. The average hourly wage rate in private industry was unchanged in August and raw industrial commodity prices fell 0.4% in July. But farm prices, in part the result of hot, dry weather this summer, were 7.5% higher in August than three months earlier. Still, the consensus of the **Economic Forecasts** is a rather modest uptick in inflation. The CPI is expected to rise by about 5%, annualized, in the fourth quarter of this year, and by not more than 5½% in 1989.

INTERNATIONAL MONITOR

Import growth has been quite modest and is likely to remain so. Total imports were only 2% higher in June than three months earlier. But imports of capital goods were 6.9% higher, as the rise in total business investment remains strong. Imports of consumer goods, except cars, were 5.3% higher. If the rise in consumer buying begins to slacken, those imports are likely to be affected. To the extent that imports represent consumer durables, the rise in consumer goods' imports could weaken faster than overall consumer demand.

After a period of quite rapid growth, the rise in exports has stalled. Total exports were 2% lower in June than three months ago. Exports of consumer goods, except cars, were 9.6% higher. But shipments of cars and parts were 16.4% lower. And exports of industrial material were 4.1% lower, while capital goods, except cars, were 0.3% lower.

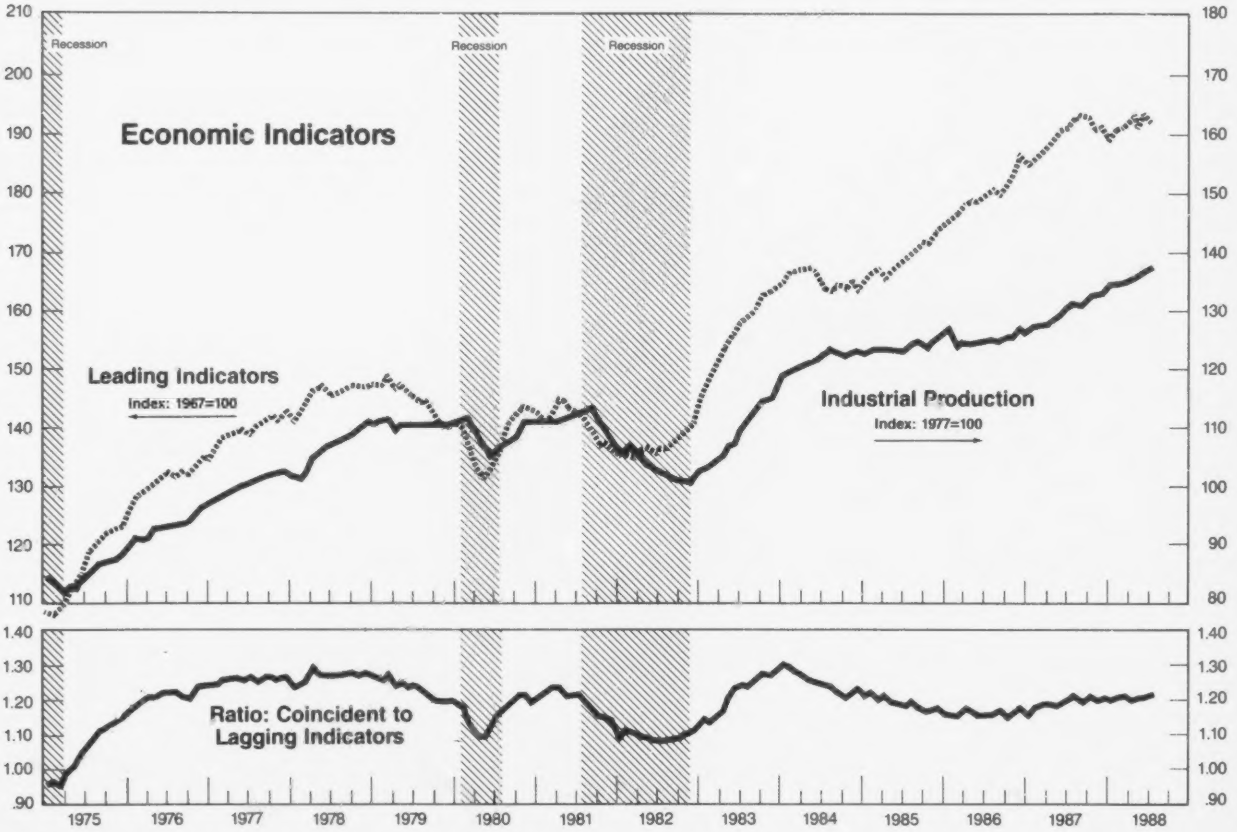
Ken Goldstein
September 9, 1988



STATUS OF LEADING ECONOMIC INDICATORS

		Rising	Level	Declining	Change over Latest Three Months	Change from Year-Ago
		(Classification based on movement of series over several months)				
Leading Economic Indicators	July		X		– 0.2%	0.6%
Capital Investment Commitments						
*Contracts and orders, plant & equipment (deflated)	July	X			4.1%	9.2%
New orders, nondefense capital goods (deflated)	July	X			3.9%	12.7%
*New business formation	July			X	– 0.5%	1.5%
*Housing permits	July			X	– 2.1%	– 6.0%
Inventory Investment and Purchasing						
*New orders, consumer goods & materials (deflated)	July			X	– 1.3%	0.8%
*Change in inventory, on hand & order (deflated)	June			X	–25.3%	–25.2%
Purchasing manager's buying policy	Aug.	X			5.0%	3.0%
*Vendor performance, reported slower deliveries	July		X		6.0%	6.0%
Industrial raw materials prices	Aug.		X		3.1%	7.8%
*Change in sensitive material prices	July	X			0.3%	– 1.2%
Sensitive Financial Flows						
*Money balance (M2 deflated)	July		X		0.1%	1.6%
Change in business loans	July		X		–63.2%	106.5%
*Change in credit outstanding	June			X	1.9%	0.2%
Change in consumer installment debt	July			X	–15.3%	–36.7%
Profitability						
Total corporate profits, after tax (deflated)	2nd.Q	X			12.3%	17.3%
*Common stock prices	July	X			2.5%	–13.2%
Marginal Employment Adjustments						
*Average workweek, mfg.	Aug.		X		0.0hr	0.0hr
*Initial unemployment claims (inverted)	July	X			– 9.8%	0.6%

Note: For a description of the Leading Indicators Composite Index see Bureau of Economic Analysis, *Handbook of Cyclical Indicators*, (Washington. D.C.: Government Printing Office) May, 1977.
*These twelve series make up the Composite Leading Index charted below.



CONFERENCE BOARD DIFFUSION INDEXES

	1987	1988			
DIFFUSION INDEXES	Jul.	Apr.	May	Jun.	Jul.(e)
Principal Diffusion Index	65.8r	59.5r	56.8r	60.0r	59.6
Auxillary Diffusion Index	59.2r	55.0r	41.3r	60.4r	48.6
Industrial Group	62.1r	63.0r	56.5r	58.1r	58.1
Nonindustrial Group	69.6r	55.9r	57.1r	61.9r	61.0
Sense of Diffusion	1	1	1	1	1
SUBGROUP DIFFUSION INDEXES					
Industrial Subgroups					
Production	70.5	67.5	62.0	62.0r	67.5
Labor	56.7	60.4	54.5r	58.2r	55.1
Miscellaneous	62.8r	62.8r	53.2r	51.9r	51.3
Nonindustrial Subgroups					
Prices	91.7	55.1	53.2	59.6	50.6
Consumer	70.5	64.5	62.4r	67.7r	67.9
Building	51.0	48.7	49.4	57.1	64.1
Miscellaneous	66.2r	52.6r	59.4r	60.7r	59.0

Note: The principal diffusion index reflects the frequency of rises in 20 component series over the 12-month period ending in the month indicated. The index is based on the direction of change, not the magnitude of change, from month to month. Each component series carries equal weight in the index, but the direction of recent changes is weighted more heavily than are earlier changes. If, for example, 10 component series rose and 10 declined in each of the last 12 months, the current index would be higher than 50 because the data over the latest six-month period are weighted more heavily than data from the earlier six-month period. On the other hand, if all 20 series rose in each of the last six months, after declining in each of the prior six months, weighting would make the current index considerably greater than 50. See Morton Ehrlich, "Using The Conference Board's Diffusion Indexes," The Conference Board *RECORD*, July, 1966.

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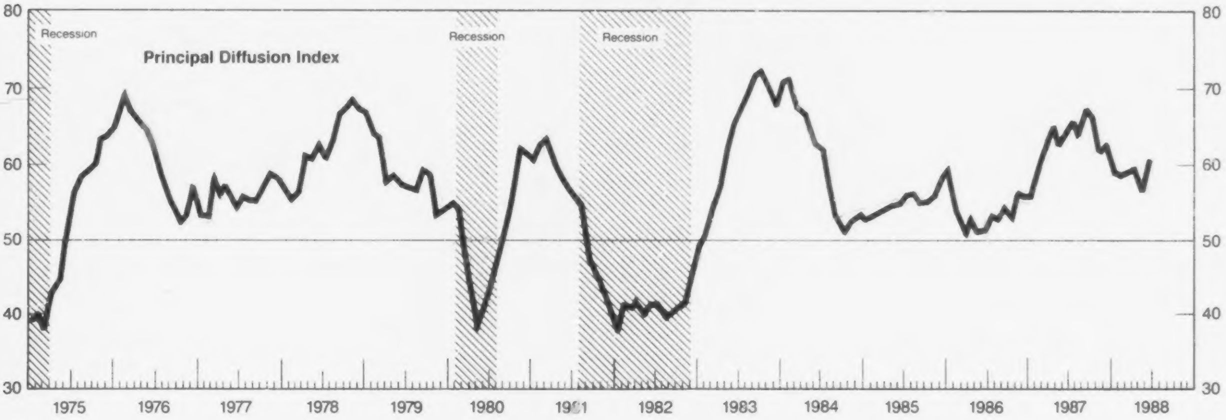
The Conference Board Diffusion Index



BUSINESS EXECUTIVES' EXPECTATIONS

	1985				1986				1987			
	Aug.	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*	*Aug.*	*Nov.*	*Feb.*	*May*
	Score (scale 0-100)											
Measure of Business Confidence	51	55	61	61	50	51	55	55	59	47	51	58
1. Appraisal of Current Economic Conditions Compared With Six Months Ago	45	53	63	61	44	50	56	55	62	50	49	64
2. Expectations for Economy, Six Months Ahead	53	56	62	62	52	51	54	53	56	43	50	54
3. Expectations for Own Industry, Six Months Ahead	54	56	59	60	54	53	56	56	58	48	54	55

The Measure of Business Confidence is the average of the scores for the three primary questions in the survey. Respondents have five reply options for each question; a score for each question is determined by assigning the following values to the replies and calculating the average value of the replies to the question: Substantially Better—100; Moderately Better—75; Same—50; Moderately Worse—25; Substantially Worse—0. The score for each question,and the overall Measure of Business Confidence, thus can range from 0 to 100.

ECONOMIC FORECASTS

			U.C.L.A.[2] Business Forecasting Project		Merrill Lynch[2] Economics Inc.		E.I. duPont[2] de Nemours & Co.		Georgia State University[2]	
Date of Forecast			*August, 1988*		*August, 1988*		*August, 1988*		*August, 1988*	
			Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*
Gross National Product Billions of Current Dollars										
Actual	**1988**	**II**	**$4819.7**	**8.3%**	**$4819.7**	**8.3%**	**$4819.7**	**8.3%**	**$4819.7**	**8.3%**
Forecast	1988	III	4892.3	6.2	4909.8	7.7	4899.5	6.8	4887.3	5.7
		IV	4984.0	7.7	4992.6	6.9	4978.0	6.6	4965.8	6.6
	1989	I	5095.9	9.3	5096.1	8.6	5044.7	5.5	5065.7	8.3
		II	5191.0	7.7	5174.1	6.3	5114.7	5.7	5159.2	7.6
		III	5248.7	4.5	5213.8	3.1	5184.9	5.6	5241.1	6.5
		IV	5287.2	3.0	5242.5	2.2	5260.8	6.0	5312.1	5.5
	1990	I	5327.5	3.1			5358.7	7.7	5381.2	5.3
		II	5390.7	4.8			5466.9	8.3	5441.1	4.5
		III	5460.7	5.3			5577.4	8.3		
	1988	Annual	4855.1	7.3	4861.7	7.4	4855.4	7.3	4849.3	7.1
	1989	Annual	5205.7	7.2	5181.6	6.6	5151.3	6.1	5194.5	7.1
Gross National Product Billions of Constant (1982) Dollars										
Actual	**1988**	**II**	**$3988.1**	**3.3%**	**$3988.1**	**3.3**	**$3988.1**	**3.3%**	**$3988.1**	**3.3%**
Forecast	1988	III	4020.7	3.3	4020.9	3.3	4016.0	2.8	4013.9	2.6
		IV	4057.6	3.7	4046.4	2.6	4034.0	1.8	4040.2	2.6
	1989	I	4096.2	3.9	4079.5	3.3	4052.0	1.8	4075.9	3.6
		II	4124.7	2.8	4093.1	1.3	4069.0	1.7	4102.6	2.6
		III	4121.6	−0.3	4089.1	−0.4	4089.0	2.0	4123.0	2.0
		IV	4103.5	−1.7	4080.2	−0.9	4110.0	2.1	4134.2	1.1
	1990	I	4081.6	−2.1			4138.0	2.8	4136.3	0.2
		II	4085.5	0.4			4170.0	3.1	4127.6	−0.8
		III	4093.5	0.8			4203.0	3.2		
	1988	Annual	4005.6	4.1	4002.9	4.1	3998.6	3.9	3999.6	4.0
	1989	Annual	4111.5	2.6	4085.5	2.1	4080.0	2.0	4108.9	2.7
Gross National Product deflator Index, 1982 = 100										
Actual	**1988**	**II**	**120.9**	**4.9%**	**120.9**	**4.9%**	**120.9**	**4.9%**	**120.9**	**4.9%**
Forecast		III	121.7	2.8	122.1	4.2	122.0	3.9	121.8	3.0
		IV	122.8	3.8	123.4	4.2	123.4	4.7	122.9	3.8
	1989	I	124.4	5.2	124.9	5.1	124.5	3.6	124.3	4.5
		II	125.9	4.7	126.4	4.9	125.7	3.9	125.8	4.8
		III	127.3	4.8	127.5	3.5	126.8	3.6	127.1	4.4
		IV	128.8	4.8	128.5	3.1	128.0	3.8	128.5	4.4
	1990	I	130.5	5.3			129.5	4.8	130.1	5.1
		II	131.9	4.4			131.1	5.0	131.8	5.4
		III	133.4	4.5			132.7	5.0		
	1988	Annual	121.2	3.0	121.4	3.2	121.4	3.2	121.2	3.0
	1989	Annual	126.6	4.5	126.8	4.4	126.2	4.0	126.4	4.3
Unemployment Rate										
Actual	**1988**	**II**		**5.5%**		**5.5%**		**5.5%**		**5.6%**
Forecast	1988	III		5.3		5.3		5.5		5.5
		IV		5.2		5.2		5.6		5.4
	1989	I		5.1		5.2		5.6		5.2
		II		5.0		5.2		5.7		5.2
		III		5.0		5.5		5.7		5.3
		IV		5.2		5.9		5.8		5.3
	1990	I		5.6				5.7		5.4
		II		5.9				5.6		5.5
		III		6.2				5.5		
	1988	Annual		5.4		5.4		5.6		5.6
	1989	Annual		5.1		5.5		5.7		5.3

Notes: Percentage changes represent compound annual rates of change from preceding period. Quarterly data are seasonally adjusted.

[1] Based on preliminary second quarter data.

[2] Based on revised second quarter data.

ECONOMIC FORECASTS (continued)

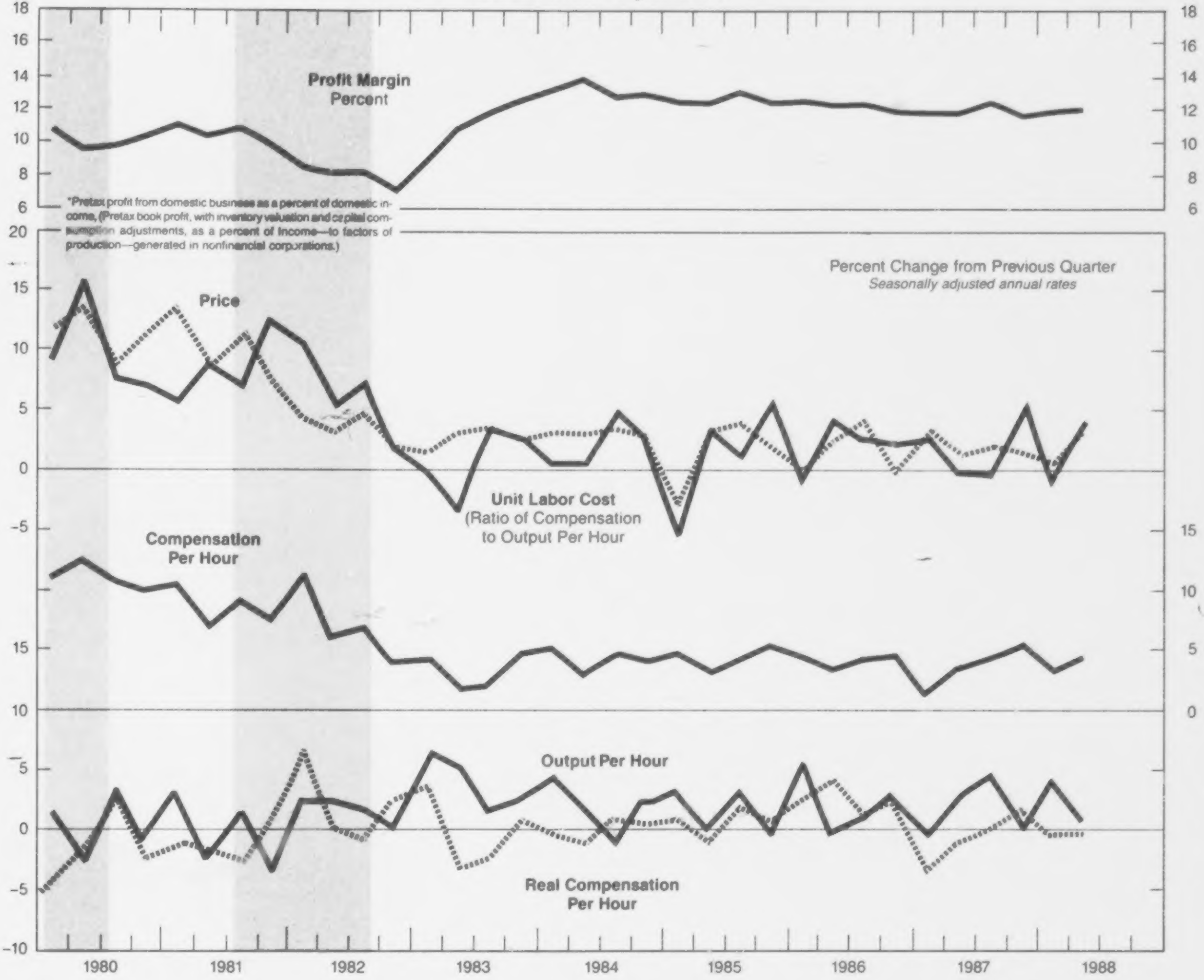
The Conference Board[1]		Laurence H. Meyer Associates, Inc.[2]		Data Resources Inc.[2]		Wharton E.F.A. Inc.[2]				
July, 1988		*August, 1988*		*August, 1988*		*August, 1988*		*Date of Forecast*		
Level	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*	*Level*	*Percent Change*			
								Gross National Product Billions of Current Dollars		
$4806.9	**7.2%**	**$4819.7**	**8.3%**	**$4819.7**	**8.3%**	**$4819.7**	**8.3%**	**II**	**1988**	**Actual**
4893.0	7.4	4914.2	8.1	4903.5	7.1	4903.4	7.1	III	1988	Forecast
4975.0	6.9	4995.4	6.8	4972.8	5.8	4974.3	5.9	IV		
5051.0	6.3	5109.0	9.4	5082.5	9.1	5065.6	7.5	I	1989	
5090.0	3.1	5189.6	6.5	5150.8	5.5	5136.4	5.7	II		
5121.0	2.5	5260.4	5.6	5218.2	5.3	5210.5	5.9	III		
5181.0	4.8	5330.4	5.4	5296.2	6.1	5283.3	5.7	IV		
		5427.3	7.5	5386.9	7.0	5355.5	5.6	I	1990	
		5513.6	6.5	5470.8	6.4	5452.0	7.4	II		
		5603.5	6.7	5568.6	7.3	5560.9	8.2	III		
4849.9	7.1	4863.5	7.4	4855.1	7.3	4855.5	7.3	Annual	1988	
5110.8	5.4	5222.4	7.4	5186.9	6.8	5174.0	6.6	Annual	1989	
								Gross National Product Billions of Constant (1982) Dollars		
$3986.3	**3.1%**	**$3988.1**	**3.3%**	**$3988.1**	**3.3%**	**$3988.1**	**3.3%**	**II**	**1988**	**Actual**
4020.5	3.5	4022.6	3.5	4021.9	3.4	4014.5	2.7	III	1988	Forecast
4044.7	2.4	4047.8	2.5	4038.6	1.7	4033.8	1.9	IV		
4060.3	1.6	4088.6	4.1	4088.1	5.0	4056.5	2.3	I	1989	
4046.1	−1.4	4108.2	1.9	4101.2	1.3	4066.0	0.9	II		
4029.1	−1.7	4123.9	1.5	4113.0	1.2	4081.2	1.5	III		
4035.0	0.6	4141.8	1.7	4132.3	1.9	4097.8	1.6	IV		
		4167.3	2.5	4153.6	2.1	4102.0	0.4	I	1990	
		4191.6	2.4	4172.9	1.9	4130.8	2.8	II		
		4217.6	2.5	4202.4	2.9	4167.4	3.6	III		
4001.9	4.0	4003.7	4.1	4001.2	4.0	3998.1	3.9	Annual	1988	
4042.6	1.0	4115.6	2.8	4108.7	2.7	4075.4	1.9	Annual	1969	
								Gross National Product deflator Index, 1982 = 100		
120.6	**4.0%**	**120.9**	**4.9%**	**120.9**	**4.9%**	**120.9**	**4.9%**	**II**	**1988**	**Actual**
121.7	3.8	122.2	4.4	121.9	3.6	122.1	4.3	III	1988	Forecast
123.0	4.3	123.4	4.1	123.1	4.0	123.3	3.9	IV		
124.4	4.6	125.0	5.1	124.3	3.9	124.9	5.2	I	1989	
125.8	4.6	126.3	4.4	125.6	4.1	126.3	4.7	II		
127.1	4.2	127.6	4.0	126.9	4.1	127.7	4.3	III		
128.4	4.2	128.7	3.6	128.2	4.1	128.9	4.0	IV		
		130.2	4.9	129.7	4.8	130.6	5.1	I	1990	
		131.5	4.1	131.1	4.4	132.0	4.4	II		
		132.9	4.1	132.5	4.4	133.4	4.5	III		
121.2	3.0	121.5	3.2	121.3	3.1	121.4	3.2	Annual	1988	
126.4	4.3	126.9	4.5	126.2	4.0	127.0	4.5	Annual	1989	
								Unemployment Rate		
	5.4%		**5.5%**		**5.5%**		**5.5%**	**II**	**1988**	**Actual**
	5.4		5.3		5.3		5.3	III	1988	Forecast
	5.4		5.2		5.3		5.3	IV		
	5.5		5.1		5.2		5.4	I	1989	
	5.8		5.1		5.2		5.6	II		
	6.1		5.1		5.2		5.7	III		
	6.1		5.2		5.3		5.9	IV		
			5.2		5.3		6.1	I	1990	
			5.2		5.4		6.3	II		
			5.2		5.4		6.3	III		
	5.5		5.4		5.5		5.5	Annual	1988	
	5.9		5.1		5.2		5.7	Annual	1989	

CBDB

ATTENTION PC USERS: All data in this publication plus extensive government statistics are available for downloading to your PC. For more information, contact Linette Waters at (212) 759-0900.

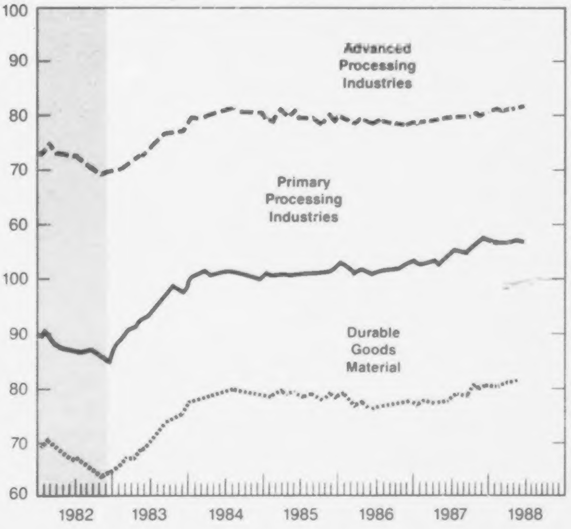
Key Determinants of Profit Margin

Nonfinancial Corporations

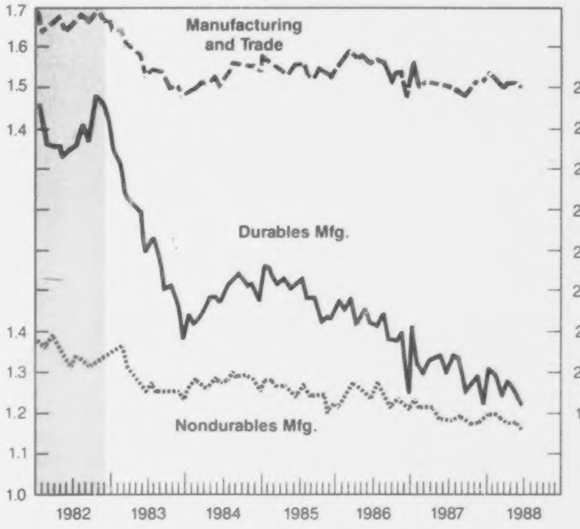


*Pretax profit from domestic business as a percent of domestic income, (Pretax book profit, with inventory valuation and capital consumption adjustments, as a percent of Income—to factors of production—generated in nonfinancial corporations.)

Capacity Utilization Rates Manufacturing



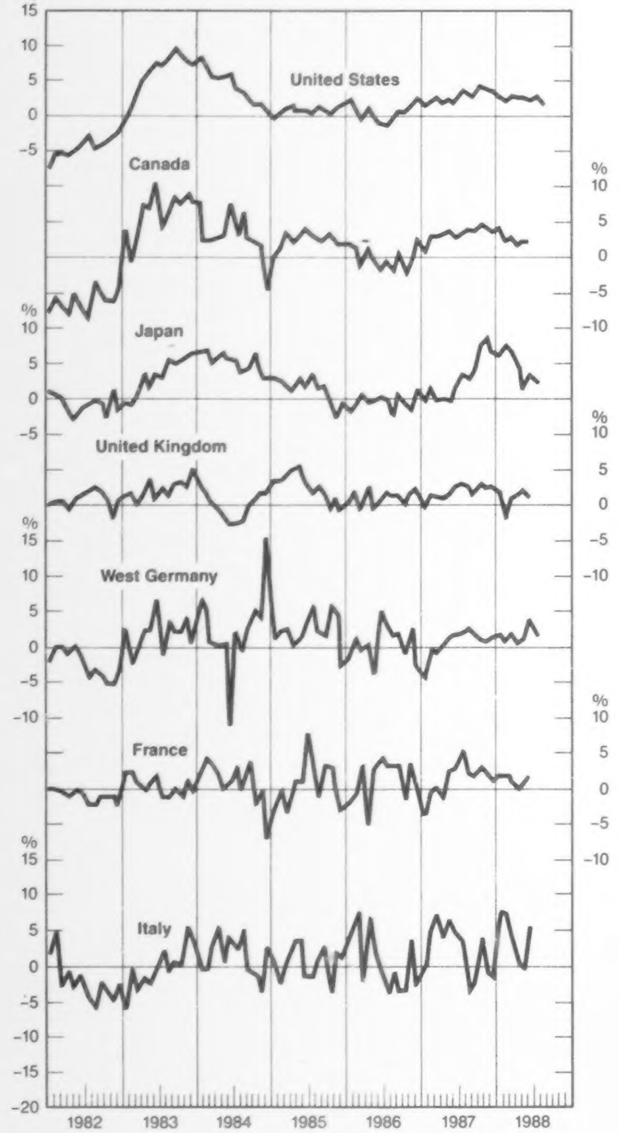
Inventory—Sales Ratios



Selected International Comparisons

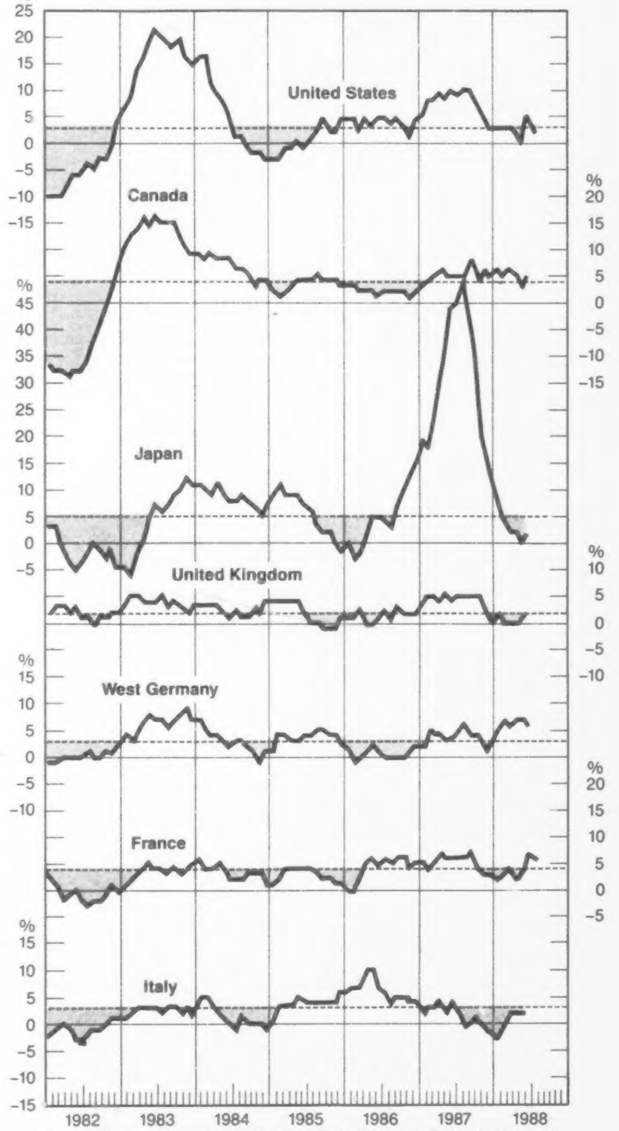
Industrial Production Indexes

Change Over Six Month Span



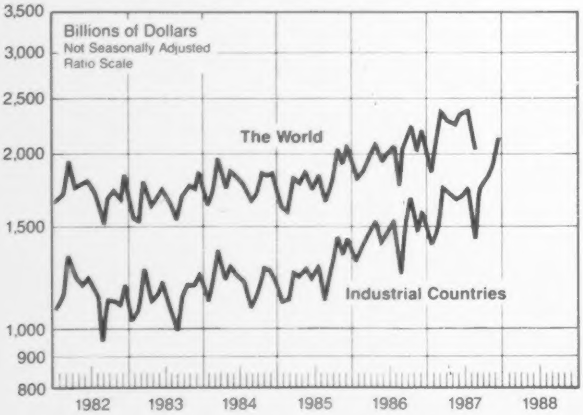
Leading Business Cycle Indexes

Change From Preceding Year

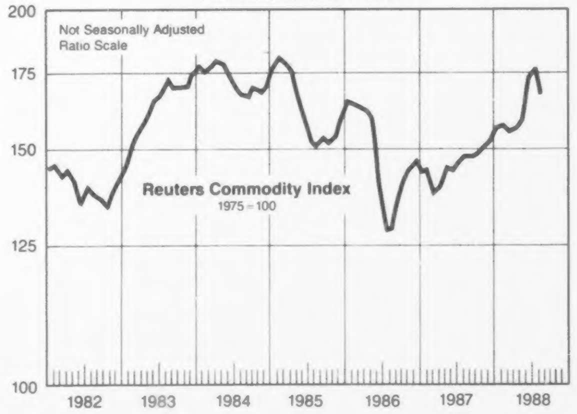


Source: Center for International Business Cycle Research, Columbia University

Merchandise Trade: Value of Exports



Raw Materials Prices



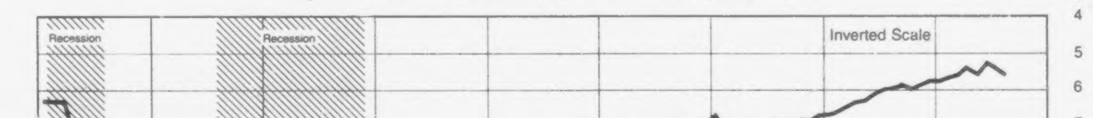
CONFERENCE BOARD HELP-WANTED ADVERTISING INDEX

Seasonally Adjusted Indexes, 1967 = 100

Locality	1988			1987
	July	June	May	July
National Index	159	156r	160	153
New England	148	152	166	178
Boston	145	141	161	178
Hartford	152	175	183	189
Providence	154	168	168	169
Middle Atlantic	87	88	93	88
Albany	188	197	216	259
Allentown	375	408	458	324
New York	59	60	62	65
Philadelphia	74	78	81	76
Pittsburgh	106	97	102	90
Rochester	115	107	107	90
Syracuse	158	156r	162	143
East North Central	112	110	111	103
Chicago	119	117	114	116
Cincinnati	184	161	173	155
Cleveland	81	76	80	70
Columbus	189	188	198	189
Dayton	93	90	97	83r
Detroit	62	58	60	57
Gary	208	224	204	142
Indianapolis	119	127	134	111
Milwaukee	84	99	99	78r
Toledo	152	146	146	127
West North Central	104	100r	103	93
Kansas City	138	133r	162	128
Minneapolis	N.A.	93	76	88
Omaha	170	161	173	139
St. Louis	N.A.	71	75	64
South Atlantic	218	208r	220	223
Atlanta	279	271	289	276
Baltimore	251	236	240	268
Charlotte	216	194	201	200
Jacksonville	232	233	238	245
Miami	169	170	174	151
Richmond	155	151	160	155
Washington, D.C.	195	180r	199	209
East South Central	189	185	191	177
Birmingham	197	187	203	167
Knoxville	332	305	323	267
Louisville	103	102	103	93
Memphis	140	141	149	140
Nashville	253	261	256	277
West South Central	193	189	180	163
Dallas	160	171	162	150
Houston	287	275	253	226
New Orleans	140	124	128	115
Oklahoma City	126	125	129	116
San Antonio	149	150	144	136
Tulsa	162	144	150	131
Mountain	321	299	320	302
Denver	218	197	217	199
Phoenix	399	377	422	413
Salt Lake City	411	386	374	347
Pacific	253	248	251	235
Los Angeles	170	169	176	162
Sacramento	487	494	485	437
San Bernadino	306	286	N.A.	274
San Diego	621	597	602	543
San Francisco	248	242	254	243
Seattle	262	254	255	232
Percentage of papers with rising volume	69	24r	71	53
Unemployment rate	5.4	5.3	5.6	6

Note: For definitions and method, see Noreen Preston, *The Help-wanted Index* (New York: The Conference Board, 1977).
r—revised N.A.—not available

Help-wanted Advertising and Unemployment



✱ Source: Center for International Business Cycle Research, Columbia University.

CONFERENCE BOARD INDEXES OF CONSUMER CONFIDENCE AND EXPECTATIONS

Indexes, 1985 = 100
(Seasonally Adjusted)

Consumer Confidence Index

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.0	103.1	96.1	104.4	99.6	102.6	103.2	100.9	96.0	96.1	98.1	98.2
1986	96.9	96.0	95.1	100.0	100.2	100.0	97.5	91.7	89.7	85.9	89.7	93.2
1987	85.4	91.8	95.8	97.4	103.0	102.1	105.8	110.7	115.7	115.1	100.8	107.7
1988	109.9	114.9	112.7	115.7	120.2	115.7	113.5r	119.2p				

Expectations Index

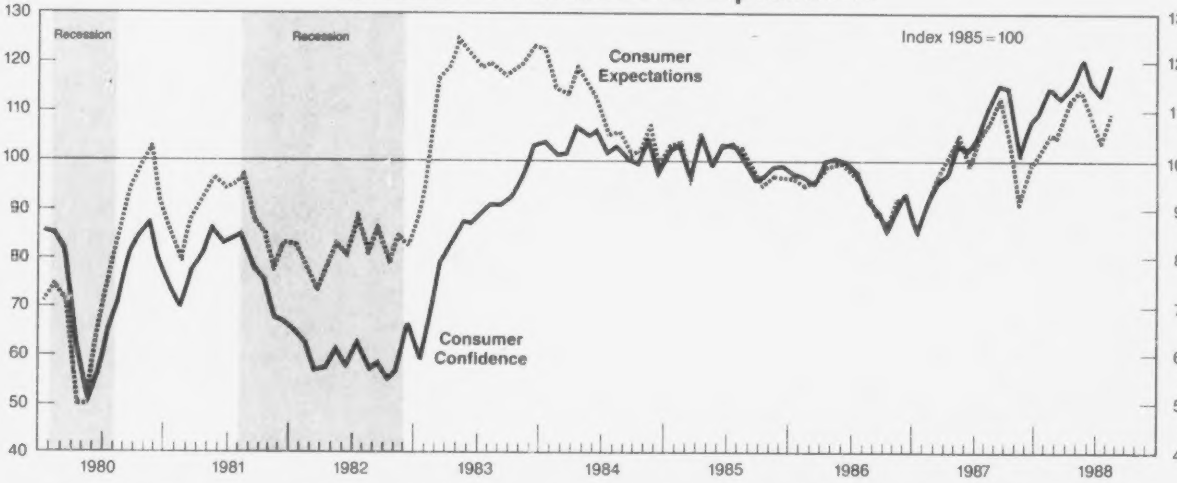
	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
1985	102.5	103.9	95.9	105.1	99.6	102.7	102.5	102.1	96.3	94.5	96.8	98.2
1986	96.3	94.4	95.5	99.0	99.4	99.7	96.4	92.0	89.4	86.1	92.0	92.2
1987	85.6	91.8	96.8	100.5	105.6	98.2	105.6	107.5	112.5	108.9	90.9	99.6
1988	102.2	105.5	104.9	112.8	114.4	108.6r	103.7r	109.3p				

Confidence Index measures consumer optimism in appraising economic conditions. Expectations Index, (charted below), measures consumer attitudes with regard to business conditions and employment and income levels six months hence. Data prior to May, 1981 based on survey of families. Data after May, 1981 are based on survey of households. A description of these indexes appears in The Conference Board RECORD, September, 1973.

Surveys are conducted by National Family Opinion, Inc.

p—preliminary r-revised

Consumer Confidence and Expectations



CONFERENCE BOARD ESTIMATES OF CAPITAL APPROPRIATIONS AND EXPENDITURES BY MANUFACTURERS AND INVESTOR-OWNED UTILITIES

Billions of Dollars, Seasonally Adjusted

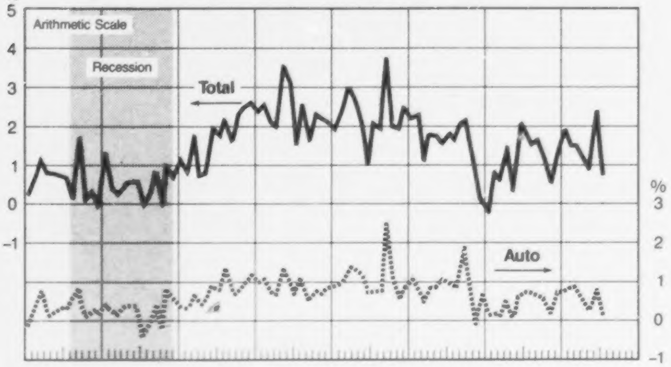
	1986		1987				1988	Percent Change From Previous Year Actual	Percent Change From Previous Year Estimate
	III	IV	I	II	IIIr	IVr	Ip	1987	1988
1000 LARGEST MANUFACTURING FIRMS									
New appropriations	20.203	22.097	21.441	32.257	29.561	35.909	32.034	31%	11%
Capital expenditures	22.452	23.299	20.801	25.933	27.381	29.820	30.279	11	21
Change in appropriations backlog*	–5.060	–10.990	–0.550	+5.460	–0.080	+3.510	+0.870		
Durable Goods									
New appropriations	10.807	10.807	9.746	16.515	17.208	20.245	15.124	55	3
Capital expenditures	12.186	12.915	11.124	14.006	13.970	16.037	16.496	17	22
Change in appropriations backlog*	–3.986	–4.140	–2.070	+2.310	+2.930	+3.810	–1.720		
Nondurable Goods									
New appropriations	10.152	11.290	11.695	15.742	12.353	15.664	16.910	24	18
Capital expenditures	10.266	10.384	9.677	11.927	13.411	13.783	13.783	6	21
Change in appropriations backlog*	–1.074	–6.853	+1.520	+3.160	–3.010	–0.300	+2.590		
ELECTRIC & GAS UTILITIES									
New appropriations	5.530	5.491	6.482	5.569	5.135r	6.094p			
Capital expenditures	7.535	6.080	7.622r	7.032r	7.728r	6.524p			
Change in appropriations backlog*	–2.110	–1.005	–0.810r	–1.590r	–2.830r	–0.680p			

Available on request: Historical data from 1953 (manufacturing) and from 1958 (utilities), and quarterly reports containing text and data for 17 separate manufacturing industries, electric and gas utilities.

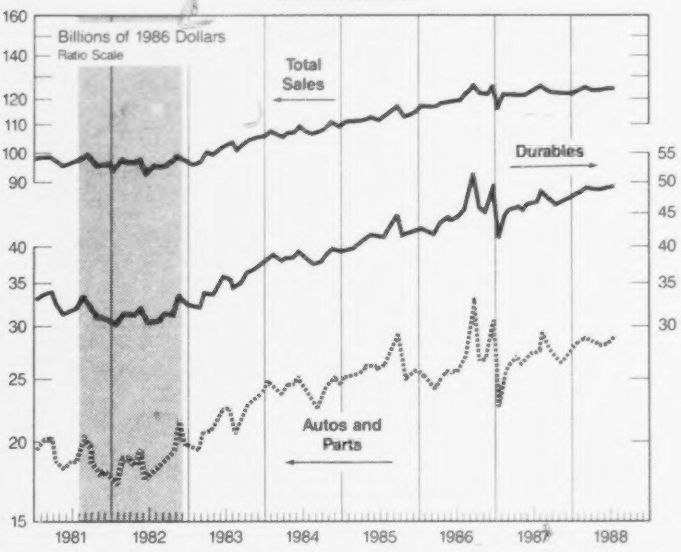
r—revised p—preliminary

* Change in Backlog = New Appropriations – (Expenditures + Cancellations and Other Adjustments).

Consumer Installment Debt Expansion ÷ Personal Income



Retail Sales



CONFERENCE BOARD ESTIMATES OF NEW AUTO SALES, BY 10-DAY PERIODS

Millions, Seasonally Adjusted at Annual Rate

Periods		1985	1986	1987	1988
January:	1-10	8.23	7.61	7.42	6.06
	11-207.84	8.00	9.45	5.97	7.89
	21-31	7.77	7.57	3.80	7.56
February:	1-10	7.24	7.56	7.46	7.51
	11-20	7.70	8.55	6.34	7.11
	21-28(29)	9.17	6.80	7.28	9.03
March:	1-10	8.09	7.76	7.60	7.88
	11-20	8.90	7.37	7.08	6.94
	21-31	8.52	6.69	7.99	8.50
April:	1-10	7.87	8.09	6.87	5.82
	11-20	9.24	7.07	7.35	7.45
	21-30	8.03	7.55	7.57	7.04
May:	1-10	7.91	8.63	6.17	8.37
	11-20	8.76	8.56	6.43	6.31
	21-31	8.09	7.22	7.08	7.99
June:	1-10	8.33	8.40	7.14	6.81
	11-20	7.66	8.00	7.10	7.97
	21-30	7.08	8.60	7.27	8.70
July:	1-10	7.38	8.04	7.04	6.91
	11-20	7.75	7.15	7.54	7.82
	21-31	7.38	7.77	7.11	7.46
August:	1-10	7.11	7.63	8.55	7.93
	11-20	8.06	7.95	9.32	7.59
	21-31	13.41	11.80	9.15	8.60
September:	1-10	10.93	14.95	7.20	6.31
	11-20	9.10	9.25	5.71	
	21-30	10.69	8.91	8.29	
October:	1-10	7.01	8.60	5.25	
	11-20	6.84	7.00	6.47	
	21-31	7.32	6.88	6.86	
November:	1-10	7.04	7.26	6.68	
	11-20	6.88	7.39	6.44	
	21-30	7.31	7.69	7.88	
December:	1-10	7.49	7.88	7.72	
	11-20	6.60	8.42	6.93	
	21-31	9.12	10.71	7.33	

Note: Dealer sales exclude exports and foreign-model cars (unless manufactured domestically.) Data from Ward's Automotive Reports are seasonally adjusted by The Conference Board. Prior data available upon request.

Domestic—Model Car Sales